09 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2009, City of Toronto, Ontario, Canada

TORONTO

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For the fiscal year ending December 31, 2009

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Finance & Administration Communications

TORONTO

TABLE OF CONTENTS

Government Finance Officers Association (GFOA) Award: Canadian Award for Financial Reporting vi
A Message From Toronto Mayor 1
A Message From the City Manager 3

INTRODUCTION

A Profile of Toronto 7
Map of Electoral Wards 17
Toronto City Council 18
2006-2010 Executive Committee & Standing Committe Mandates 20
City Administrative Structure 21
City of Toronto Special Purpose Bodies 22
FINANCIAL CONDITION AND PERFORMANCE
- A Message From The Deputy City Manager & Chief Financial Officer 25
- Fiscal Capacity 27
- Physical Infrastructure 28
- Capital Financing and Debt 30
- Investment Activities During 2009 and the Outlook for 2010 32
- Reserves and Reserve Funds 33
- Deferred Revenues 34
- Revenues 35
  - Property Tax 35
  - User Fees 40
  - Funding Transfer From Other Governments 41
  - Other Revenues 41
  - New Taxation 41
- Credit Rating 42
- Performance Measurement and Benchmarking Results 44
- Treasurer's Report 48
  - Appendix A: Key Issues/Risks Facing the City of Toronto 67

2009 CONSOLIDATED FINANCIAL STATEMENTS

Management's Report 71
Auditors' Report 72
Consolidated Statement of Financial Position 73
Consolidated Statement of Operations and Accumulated Surplus 74
Consolidated Statement of Change in Net Debt 75
Consolidated Statement of Cash Flows 76
Notes to Consolidated Financial Statements 77
Consolidated Schedule of Tangible Capital Assets – Schedule 1 113
Schedule of Government Business Enterprises – Appendix 1 115
Consolidated Schedule of Segment Disclosure – Service – Appendix 2 116
Consolidated Schedule of Segment Disclosure – Entity – Appendix 3 118
Consolidated Schedule of Segment Disclosure – Tangible Capital Assets by Entity – Appendix 4 120
Glossary 121

STATISTICAL INFORMATION

Five-Year Review Summary 129

Canadian Award for Financial Reporting

Presented to

City of Toronto
Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2008

A Canadian Award for Financial Reporting
is presented by the Government Finance Officers
Association of the United States and Canada
to government units whose annual financial reports
achieve the highest program standards for Canadian
Government accounting and financial reporting.

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2008. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2009 Award Program.

A MESSAGE FROM TORONTO MAYOR

DAVID MILLER

With the economy experiencing the deepest world-wide recession since the 1930's, the City of Toronto faced unprecedented challenges to maintain services at a reasonable cost. Fortunately, Toronto's diverse economy proved to be remarkably resilient. Our construction and housing sector remained strong and our banking and financing sector is now the envy of the world.

Toronto was able to weather the recession better than most cities its size through responsible financial planning, sound fiscal management and strategic new investments.

Important new investments in key areas such as transit, community health and wellness, public infrastructure, customer service and combating climate change will help to ensure economic growth and stability in 2010 and put Toronto on a path to a prosperous future.

This includes improving transit service through the TTC ridership growth strategy, investment in the Streets to Homes program which helped more than 2,400 people receive the assistance they need to move into permanent housing, and the opening of the new 311 24-hour customer service centre which will help improve service delivery to residents.

The City has made a significant commitment to its green initiatives. Last year we continued with the implementation of the successful green fleet program, we developed programs such as the Green Roof Incentive Program that will support the new Green Roof Bylaw and we developed a Green Sector international marketing plan to help Toronto's 1,500 green businesses generate new investment and export opportunities.

Toronto has also invested $93 million over five years in sustainable energy conservation and retrofit programs like the Better Buildings Partnership, the Toronto Energy Conservation Fund, and the City of Toronto Green Fund. These investments will have these programs pay for themselves over time and create permanent savings for the city.

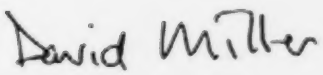
In 2009, the Toronto Helps initiatives directed funding to programming for job seekers, youth and seniors. It also provided critical support to residents through programs such as the Tax and Water Relief program that allowed for the cancellation or deferral of property tax increases and water rebates for low-income seniors and low-income persons with disabilities.

The Agenda for Prosperity initiative has improved the business climate within the city. It has diversified our international portfolio by increasing economic activity with cities beyond North America, it has expanded strategic industry sectors and it has enhanced Toronto's labour force so that all residents benefit from economic opportunity.

Although the City was experiencing the effects of an economy in crisis, Toronto residents saw only a minimal increase in user fees and property taxes. Property taxes in Toronto still remain the lowest in the greater Toronto area and we have some of the best municipal services available in Ontario. Development charges for residential construction were also frozen to help stimulate the job market in the important construction sector. We stayed true to our commitment to reduce the impact of property tax increases on Toronto's businesses.

Toronto truly is a world class city. It is recognized around the world for its environmental stewardship and multiculturalism, and it continues to gain international recognition for its programs and services. Whether measuring economic competitiveness, safety and security, quality of life or quality of services, Toronto consistently ranks high among other major global cities.

Looking back over the past seven years, I am proud of the City's achievements. We have laid the foundation for significant development in transit and infrastructure, we have a thriving cultural sector, a strong economy, and a city that is safe, creative and clean. Most importantly, we have a city that is prosperous, liveable and provides opportunity for all.



David Miller, Mayor
City of Toronto

A MESSAGE FROM THE CITY MANAGER

JOSEPH P. PENNACHETTI

On behalf of the public service, I am pleased to present the 2009 Financial Report. The annual report provides details about the City's financial performance and provides the opportunity to take stock of the City's achievements.

Every year, the City of Toronto is faced with the difficult task of balancing the provisions of services expected by our residents while maintaining property taxes, water and utility rates, transit fares and other user fees – all required to fund these services – at affordable levels.

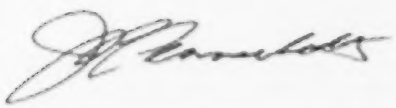
Last year was exceptional. The impacts of the recession added significant costs to our social welfare programs and dampened our revenue growth. In May 2009, I established a multi-point plan to bring in a 2010 budget that was balanced and affordable. An important part of that plan was to generate a significant 2009 surplus that could be used in 2010. I asked every Division, Board, Agency and Commission of the City to contribute to this goal through spending restraint and maximizing revenues.

The surplus was generated through spending restraint, labour disruption savings, increases in parking and Municipal Land Transfer Tax revenues, property assessment growth, lower property tax appeals, and higher investment earnings. These efforts and other favourable trends generated a record budget surplus in 2009 which will be used to minimize tax impacts for the 2010 and 2011 budgets. Furthermore, in multi-year planning for 2011 and beyond, we will continue to seek efficiency savings to keep City services affordable.

The City of Toronto does not have all of the financial resources required to sustain and expand the services demanded by existing residents and businesses and from a growing population. Toronto also has an ambitious construction plan for City infrastructure, which will see approximately $35 billion in asset investment over the next 10 years. We rely on partnerships with the Federal and Provincial governments to bridge the fiscal gap. We have reached agreements with the provincial and federal governments to fund and deliver new transportation and infrastructure projects, most notably environmentally-driven transit projects.

These investments will benefit Torontonians for generations to come with the creation of hundreds of thousands of jobs over the next 10 years. The result will be a strong Toronto which means a strong province of Ontario and a stronger Canada.

I take great pride in the dedication and commitment of the staff that work hard to deliver these programs and services; particularly to the staff that worked above and beyond during the 2009 labour disruption. I would like to thank the public service and senior management for their dedication and commitment to service excellence. Through strategic and innovative leadership, we have ensured that we provide the best programs and services for the best value to the residents and businesses of Toronto.



Joseph P. Pennachetti
City Manager

Photographer: **John A. Ryan**

09 INTRODUCTION
CITY OF TORONTO

A PROFILE OF TORONTO

TORONTO IN WORLD RANKINGS

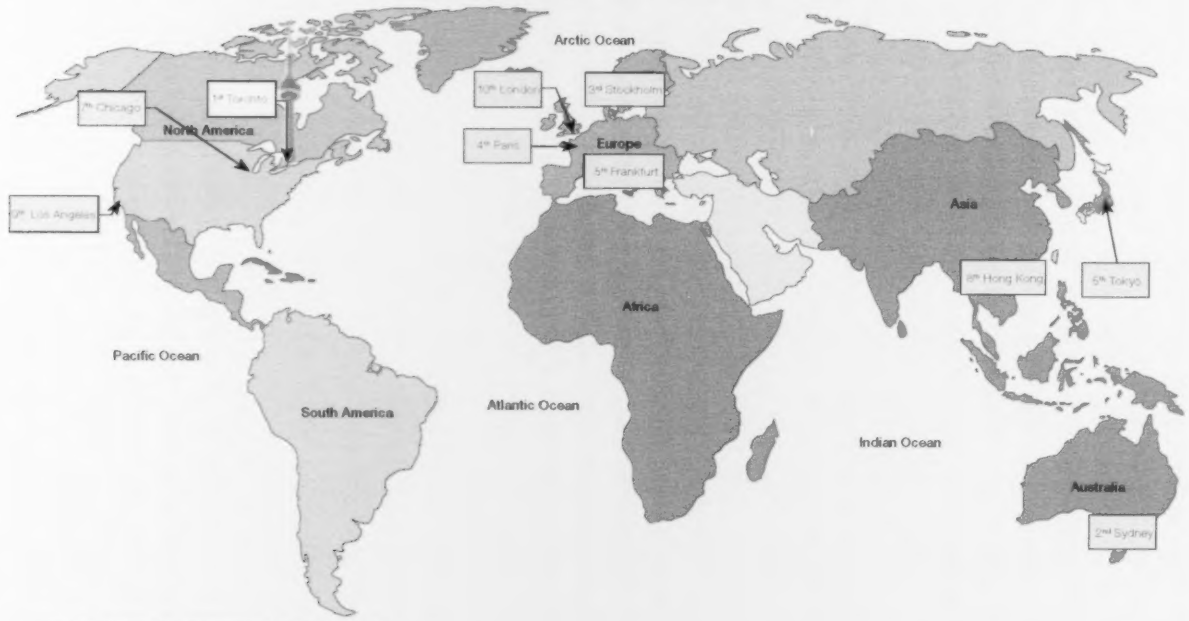
"As Mayor, I have the privilege every day of seeing the tremendous progress this city is making. It's especially rewarding when I hear us praised and recognized internationally for what we're doing. I'm proud of Toronto."

"Toronto has maintained its place among the world's greatest cities because it provides residents with a quality of life that is envied around the globe. In spite of the serious economic challenges we all face today, the Government of Toronto is committed to making the city a model of prosperity and liveability where everyone has the opportunity to succeed." – Mayor David Miller

- **The World's Most Liveable City**
  Cities of Opportunity, PriceWaterHouseCoopers, March 2010

  Cities of Opportunity took both a quantitative and qualitative look at the emerging picture of city life in 21 capitals of business, finance and culture worldwide. Toronto led the study in city liveability, with high quality of life and health, and a diverse population with advanced education. The city worked well for business, too, offering strength, good value and, this year, building more skyscrapers than any city except Tokyo. Toronto was also one of the top four cities with the most economic clout in the same study, having a major stock exchange, and home to leading global companies' headquarters and continually attracting foreign investments as a means of creating jobs.

Toronto is the World's Most Liveable City



Source: Cities of Opportunity, PriceWaterhouseCoopers, March 2010

- **6th as the World's Most Business Competitive Global Cities**
  KPMG's 2010 Competitive Alternatives Study, March 2010

  Toronto continues to offer one of the most cost-effective business and investment climates in the world, ahead of U.S. cities such as Chicago and New York, and other global cities such as London and Paris. The KPMG study measured 27 business cost components and non-cost competitiveness factors in 10 countries and more than 100 cities around the world.

- **One of the Top 12 Global Leaders of Financial Centres**
  Global Financial Centres Index (GFCI 7), Z/Yen Group Limited for the City of London, March 2010

  Toronto has gained a position since the September 2009 report, ranking 12th ahead of Frankfurt, Boston and Beijing. Toronto is also amongst the top three Global Leaders in North America. The latest GFCI 7 report evaluated the competitiveness of 75 financial centres worldwide using results of online surveys completed by financial services leaders. Toronto made three appearances in the top 10 out of five sub-indices of competitiveness. Toronto's regulatory and tax environment, as well as its people factors, infrastructure and quality of life, contributed to the city's rating.

- **Canada's Best Sustainable City**
  Sustainable Cities, 2010, Corporate Knights, February 2010

  Toronto ranked the top amongst Canada's big cities. Corporate Knights' fourth annual Sustainable Cities report measured the relative sustainability of 17 Canadian cities, considering the ability of individuals and communities to flourish without contributing to the progressive degradation of the human and natural systems, such as ecological integrity, economic security, governance and empowerment, infrastructure and built environment, and social well-being.

- **4th in the World's Liveability Survey**
  Economist Intelligence Unit, February 2010

  The Economist Intelligence Unit's Liveability Survey ranked Toronto fourth in the world for liveability, after Vancouver, Vienna and Melbourne. The liveability rating, part of the Worldwide Cost of Living Survey, quantifies the challenges that might be presented to an individual's lifestyle in 140 cities worldwide. Each city is assigned a score for over 30 qualitative and quantitative factors across five broad categories: stability, healthcare, culture and environment, education, and infrastructure

- **4th on the Scorecard on Prosperity**
  Toronto Board of Trade, April 2010

  Toronto ranked as the fourth most prosperous City amongst the world's 23 urban regions across a total of 34 indicators, behind Boston, Dallas and Barcelona, but ahead of Calgary, San Francisco and Paris. Toronto excelled in the Labour Attractiveness category, benefiting from a highly diverse population base, strong and consistent population growth, a low homicide rate and an affordable cost of living.

- **16th in the Worldwide Quality of Living Survey**
  Mercer Human Resources Consulting, May 2010

  Toronto's quality of living was sixteenth in the world's 221 cities ranked by Mercer Human Resource Consulting. The 2010 Quality of Living Survey also placed Toronto third in North America, after Vancouver and Ottawa. The annual survey evaluated local living conditions according to 39 quality of living criteria (including political, social, economic and environmental factors, safety, public services and transportation, and recreation). Mercer's Quality of Living is conducted to help governments and major companies place employees on international assignments, and contains all the key elements needed to calculate hardship allowances when employees are transferred between cities.

- **One of the World's Top Ten Global Cities**
  Foreign Policy Magazine, November/December 2008 issue

  Toronto is one of the world's top 10 global cities, after New York, London, Paris, Tokyo, Hong Kong, Los Angeles, Singapore, Chicago and Seoul in Foreign Policy (FP) Magazine's ranking. FP's inaugural 2008 Global Cities Index ranked 60 cities according to the following categories: business activity, human capital, information exchange, cultural experience and political engagement. Toronto ranked 4th for culture (after London, Paris and New York), 10th for human capital, 18th for information exchange, 24th for political engagement, and 26th for business activity.

- **10th as the World's Most Economically Powerful Cities**
  Forbes Magazine, August 2008

  Toronto's regional economic growth ranked amongst the highest, ahead of Philadelphia, Madrid and Mexico City. The rankings were based on a comparison of the cities' expected GDP growth from 2005 to 2020, their economic stability, liveability and ease of doing business, as well as estimated living expenses and earnings for the average worker.

The City of Toronto is Canada's largest city with a population of 2.7 million residents. It was formed from the amalgamation of seven municipalities (six local and one regional municipal governments) in 1998. It is the heart of a large urban agglomeration of 5.7 million called the Greater Toronto Area (GTA)[1]. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the City's population (47 per cent) is visible minorities.

Toronto, with 83,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by highly specialized knowledge-based jobs. An estimated $263 billion of goods and services (GDP 2009) are produced in the Toronto Census Metropolitan Area (CMA)[2]. The City of Toronto accounts for just over half of this total (2009: $138 billion). As well, the City accounts for 24 per cent of the Province's and about 9 per cent of the country's economic output.

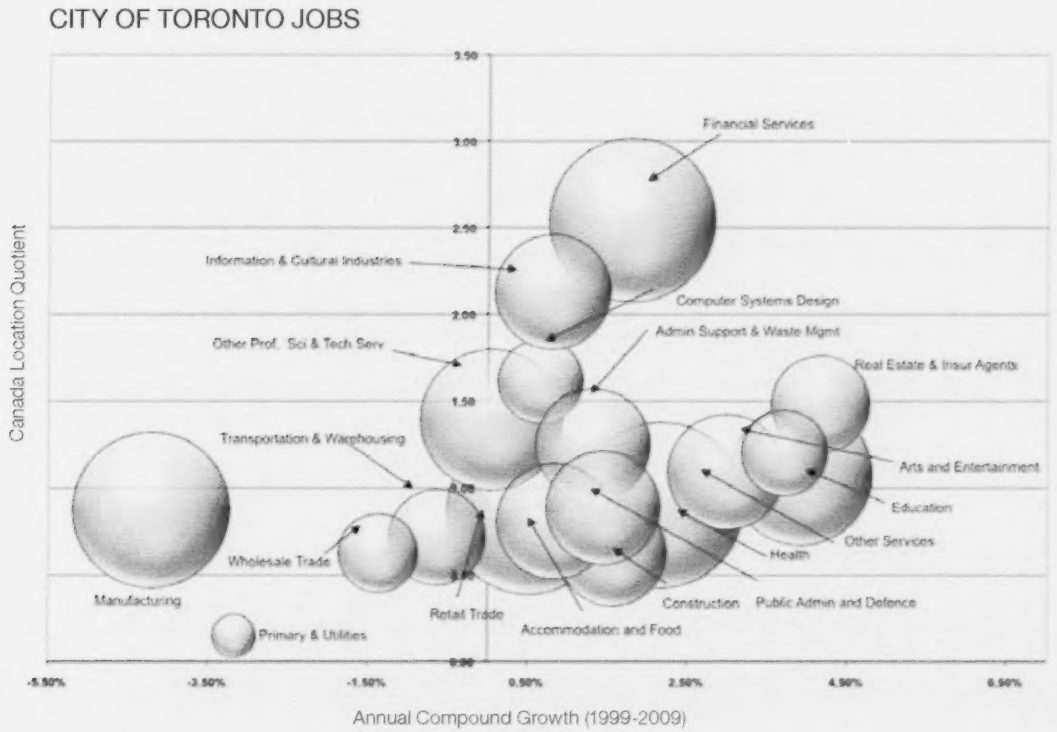
City of Toronto, GTA and CMA

[1] Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

[2] Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

Key Employment Sectors

The following graphic recognizes the diverse nature of the City of Toronto's economy while providing some useful insights into the City's key employment sectors. The size of a sector bubble represents employment size. The horizontal position of a sector bubble on the graphic denotes industry growth rate. The vertical position on the graph denotes the concentration of the sector's employment within the City relative to other major cities in Canada. Therefore the sectors at the top of the chart are those in the City of Toronto that have higher employment than the national average and the ones to the right are growing more rapidly than others.



From the graph it is noted that Finance and Insurance, Information and Culture and Computer System Design are sectors that have high concentrations of employment in Toronto in comparison to other Canadian cities. Health, Financial Services, Retail Trade, Manufacturing, and other Professional, Science and Technology Services are the largest sectors in terms of employment. High growth industries include Real Estate and Insurance Services, Arts and Entertainment, Education, Health and Financial Services.

One significant trend is that employment in the Manufacturing industry, though still one of the largest sectors, has been on the decline at an average annual rate of 2.6 per cent in the last ten years.

The Finance and Insurance sector is emerging as one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. By contrast, the United States was ranked 40[th].

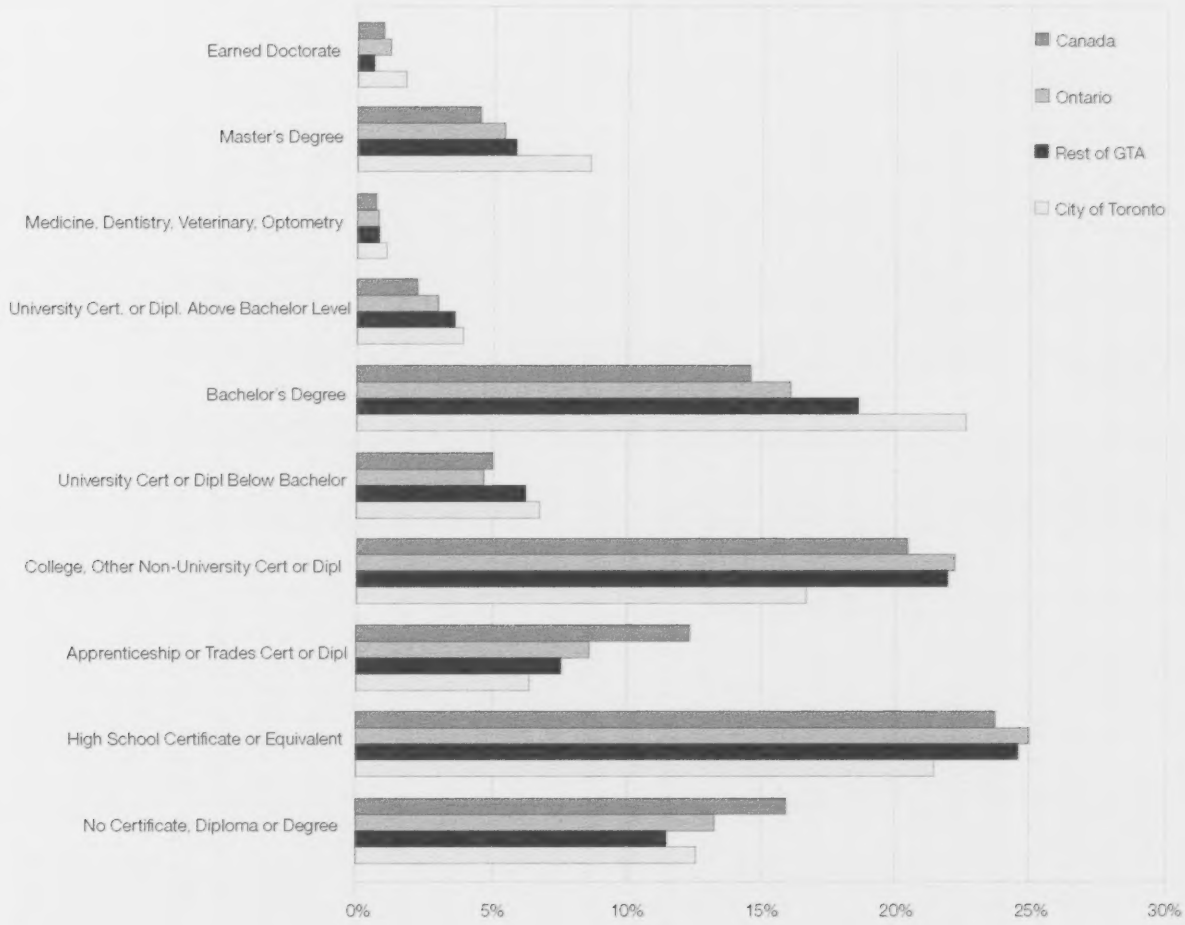
As part of the Health sector, the Biomedical and Biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities – Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, a new Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name.

The Information and Culture sector is one of the high concentration sectors in the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (expansions to the Royal Ontario Museum), the Art Gallery of Ontario, the new home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the new home of the National Ballet of Canada, the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. Toronto is home to more than a dozen TV stations, two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), and close to ten ethnic daily newspapers.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60 per cent of Toronto workers have post-secondary degrees, diplomas or certificates.

POPULATION AGE 25 - 64 BY EDUCATION



Source: Statistics Canada (2006)

With an estimated 1.6 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow to the city is estimated to be over two hundred thousand people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour both from the surrounding regions beyond the GTA.

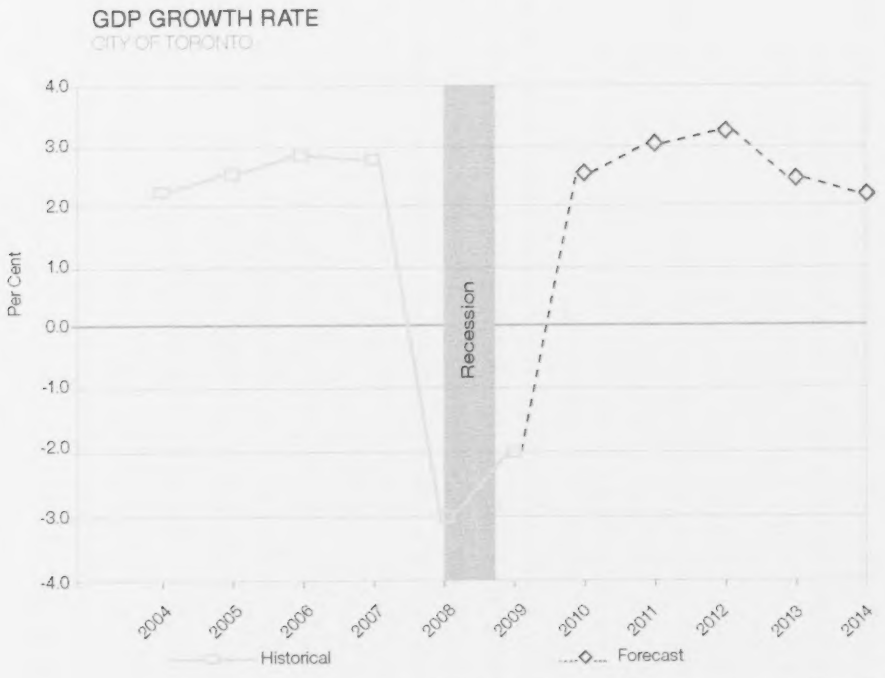
Economic Growth

The world economy entered the so-called Great Recession in the second half of 2008, following the real estate crash and the subprime mortgage crisis that unfolded in the United States in mid 2007. The investment banking collapse and the ensuing credit crunch were followed by a sharp decline in industrial production across the world. There was an immediate fall in commodity prices — more than a 50 per cent drop in oil prices and more than 40 per cent in non-oil commodity prices. Toronto Stock Exchange's TSX index fell 45 per cent in nine months, bottoming out in March 2009. By mid 2009, positive economic growth started to resurface in many developed countries across the globe. Both Canada and the United States came out of recession (which is technically defined as having two consecutive quarters of negative GDP growth) in the third quarter of 2009. When compared to the previous recessions during the early 1980s and the early 1990s, the recession in 2008-2009 was less pronounced with respect to depth, though quicker to reach the bottom. Across Canada, jobs declined by 2.3 per cent in this recession, while they fell by 3.4 per cent in 1990-1992, and 5.4 per cent in 1981-1982. Nearly all of the decrease took place in the four months from November 2008 to February 2009.

On an annual basis Canada's economy contracted by 2.9 per cent in 2009, yet its recession was less severe and shorter than the other G7 nations, primarily due to savings as reflected in our national balance sheet. In the Euro Area where unsustainable debt concerns for certain countries, particularly PIIGS (Portugal, Italy, Ireland, Greece, and Spain), hammered the capital market, the unprecedented loans and guarantees announced by European Financial Stabilization mechanism (EFSM) seemed to have stopped the bleeding and staved off a global crisis in the near term. Going forward, forecasters commented that Canada's domestic economy was in better shape than almost any other western industrialized nation, and predicted that its economy would grow faster than the other G7 nations. Canada's monetary and fiscal stimulus, coupled with an economic stimulus program on infrastructure, should help the economy to grow at 2.6 per cent to 3.6 per cent in 2010.

At the provincial level, Ontario was amongst the harder-hit provinces in the latest recession due to its concentration of the auto and manufacturing industries. Its GDP contracted by 0.3 per cent in 2008 and 3.1 per cent in 2009. However, a combination of government stimulus, a rebound in the auto industry, business investment and a strong domestic demand will catapult Ontario's economy back from recession in 2010. In fact the Conference Board of Canada predicted in its Spring 2010 Metropolitan Outlook that Ontario would share the top spot in provincial growth with British Columbia, with both economies expanding by 3.8 per cent in 2010.

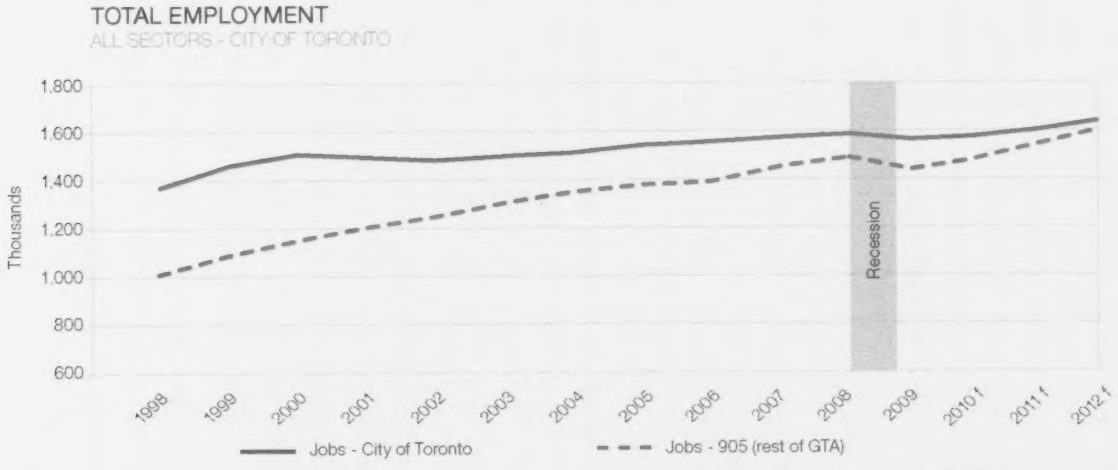
At the local level, Toronto enjoyed an average 3 per cent economic growth from 2004 to 2007, but the economic downturn that began in Toronto in the 3rd quarter of 2008 brought GDP growth into a negative territory. The goods sector was hardest hit. But the recession was relatively short-lived – manufacturing output increased in the second half of 2009, while construction output rose in the 4th quarter of 2009. Compared with the surrounding GTA regions which have relatively higher employment in the goods-producing sectors, the City has fared better than the surrounding regions thanks to its diversified economy. The housing sector has been resilient, which in turn has had a positive impact on the finance, insurance and real estate sectors. In addition, preparation for the 2015 Pan Am Games in Toronto and the surrounding suburbs could provide an economic stimulus in non-residential construction. The Conference Board of Canada's Metropolitan Outlook (Winter 2010 issue) forecasted that the Toronto CMA would be amongst the three fastest growing city regions in the country in 2010 and beyond, with real GDP growing at annual rates of 3.7 per cent (2010) and 3.9 per cent (2011 - 2014).



Source: Toronto Econometric Model, Conference Board of Canada March 2010

Employment Indicators

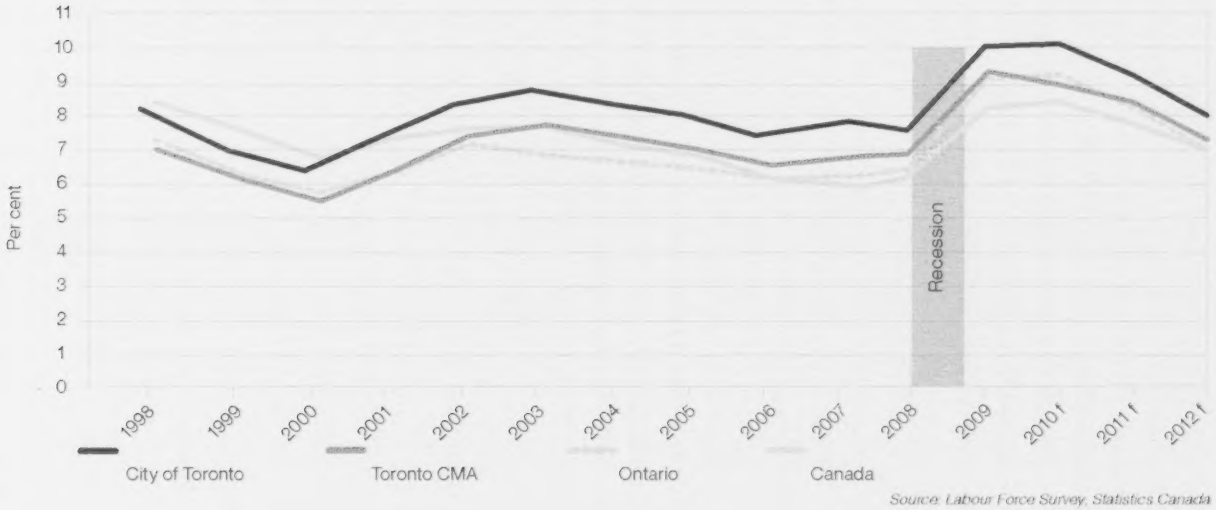
Employment in the Toronto region has gone through substantial changes in the last ten years. Between 2000 and 2003 employment in the City declined slightly, with the majority of job losses in manufacturing, construction, transportation and warehousing as well as business services, while employment continued to grow in the 905 regions (the rest of the GTA). From 2003 to 2008 the City's economy bounced back with a service-based recovery. Gains in the service sector have more than offset employment losses in the manufacturing sector. During the 2008-2009 recession, employment was less impacted in the City (2009: -1.4 per cent) than the rest of the GTA (2009: -2.1 per cent). While some full-time jobs were lost, self-employment made substantial gains according to Statistics Canada.



Source: Toronto Econometric Model, Conference Board of Canada March 2010

Job losses coupled with decreased participation rates has led Toronto's unemployment rate to increase to 10 per cent in 2009, a level not seen since the early to mid-1990s. Despite having emerged from the recession, the City is still expected to be faced with relatively high unemployment. The Conference Board predicted that Toronto's unemployment rate would continue to escalate (to 10.1 per cent) in 2010 before coming down to a more normal level of around 8 per cent by 2012.

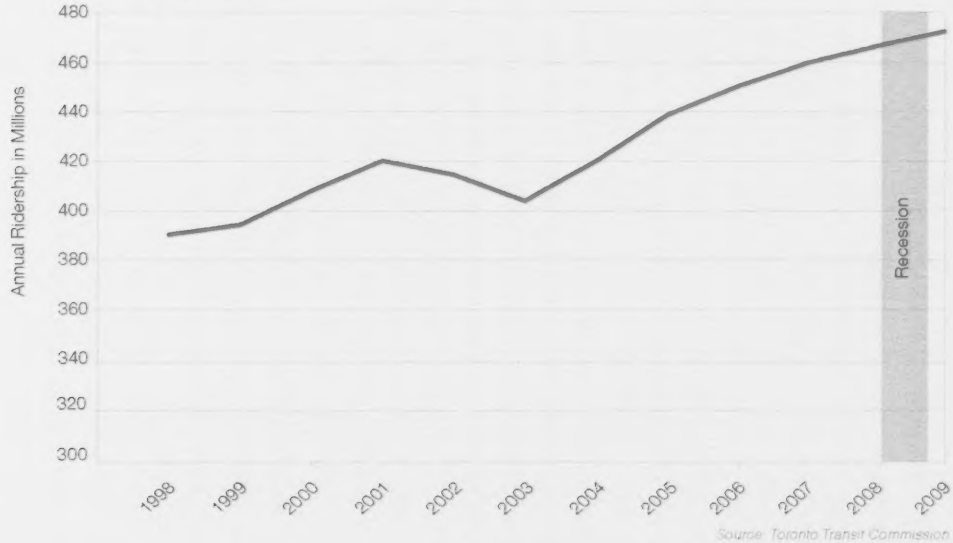
UNEMPLOYMENT RATES



Source: Labour Force Survey, Statistics Canada
Forecast: Conference Board of Canada

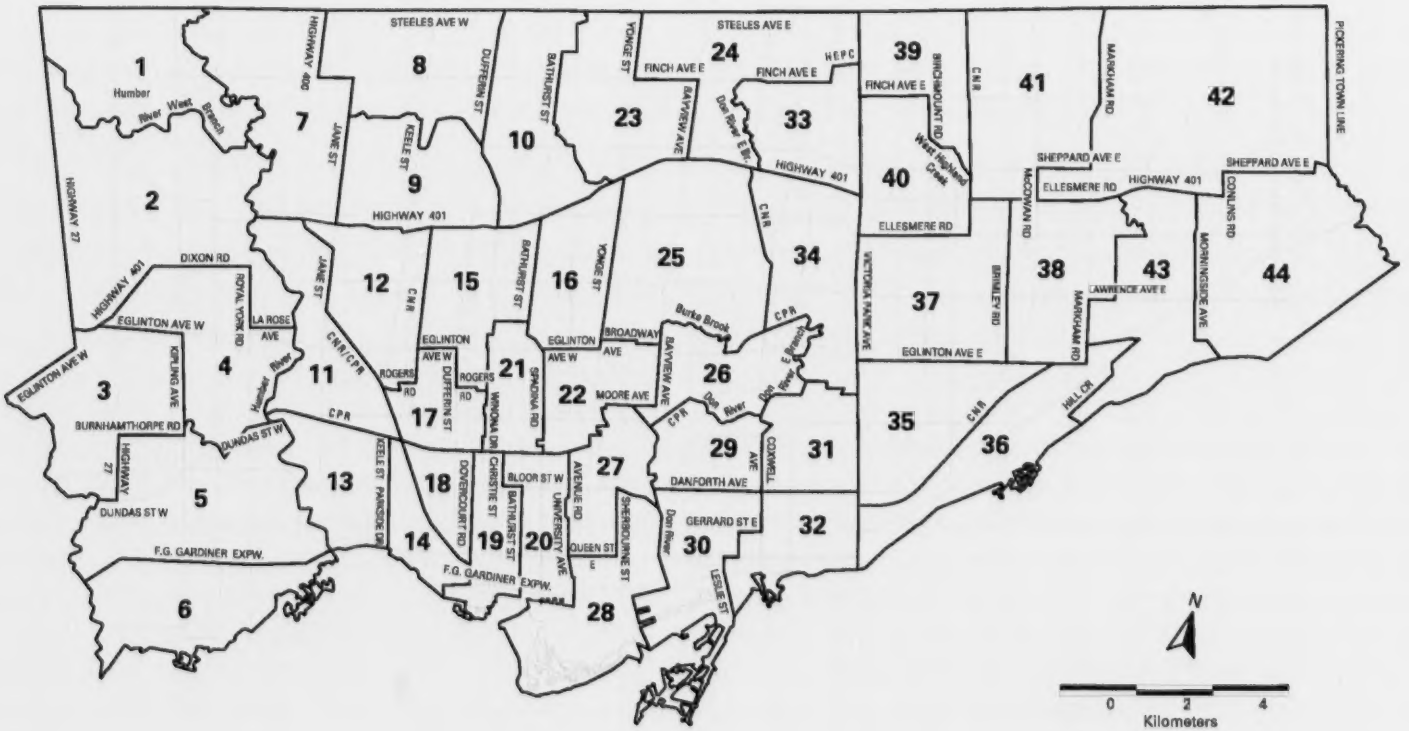
Transit ridership, an indicator generally moving in tandem with employment, defied the economic downturn and continued to rise in 2009. In fact, TTC ridership reached the highest level since 1988, at 471.2 million passenger rides in 2009. This modest growth is mainly due to TTC's Ridership Growth Strategy and fare freeze, which more than offset the impact of lower employment resulting from the economic downturn.

TTC RIDERSHIP



Source: Toronto Transit Commission

MAP OF ELECTORAL WARDS



TORONTO

Municipal Wards 2007 - 2010

Revised January 2007

TORONTO CITY COUNCIL

Mayor David Miller

Ward 1
Suzan Hall

Ward 2
Rob Ford

Ward 3
Doug Holyday

Ward 4
Gloria Lindsay Luby

Ward 5
Peter Milczyn

Ward 6
Mark Grimes

Ward 7
Giorgio Mammoliti

Ward 8
Anthony Perruzza

Ward 9
Maria Augimeri

Ward 10
Michael Feldman

Ward 11
Frances Nunziata

Ward 12
Frank Di Giorgio

Ward 13
Bill Saundercook

Ward 14
Gord Perks

Ward 15
Howard Moscoe

Ward 16
Karen Stintz

Ward 17
Cesar Palacio

Ward 18
Adam Giambrone

Ward 19
Joe Pantalone

Ward 20
Adam Vaughan

Ward 21
Joe Mihevc

Ward 22
Michael Walker

Ward 23
John Filion

Ward 24
David Shiner

Ward 25
Clifford Jenkins

Ward 26
John Parker

Ward 27
Kyle Rae

Ward 28
Pam McConnell

Ward 29
Case Ootes

Ward 30
Paula Fletcher

Ward 31
Janet Davis

Ward 32
Sandra Bussin

Ward 33
Shelley Carroll

Ward 34
Denzil Minnan–Wong

Ward 35
Adrian Heaps

Ward 36
Brian Ashton

Ward 37
Michael Thompson

Ward 38
Glenn De Baeremaeker

Ward 39
Mike Del Grande

Ward 40
Norman Kelly

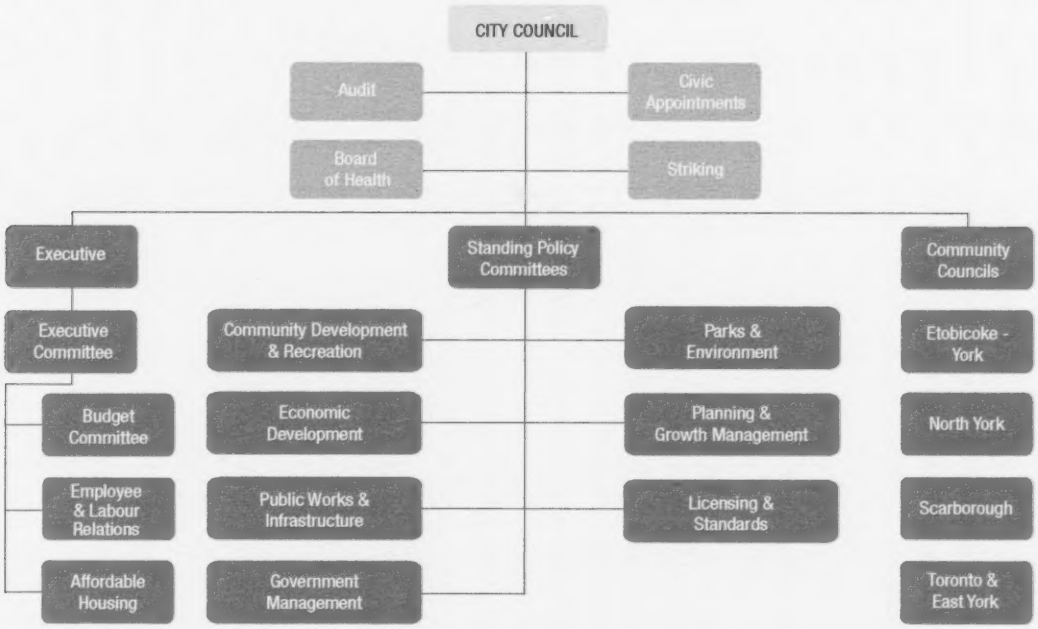
Ward 41
Chin Lee

Ward 42
Raymond Cho

Ward 43
Paul Ainslie

Ward 44
Ron Moeser

2006-2010 EXECUTIVE COMMITTEE & STANDING COMMITTE MANDATES



2006-2010 EXECUTIVE COMMITTEE AND STANDING COMMITTEE MANDATES

EXECUTIVE COMMITTEE:
The Executive Committee's mandate is to monitor and make Recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE
The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies, boards, and commissions;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES
The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

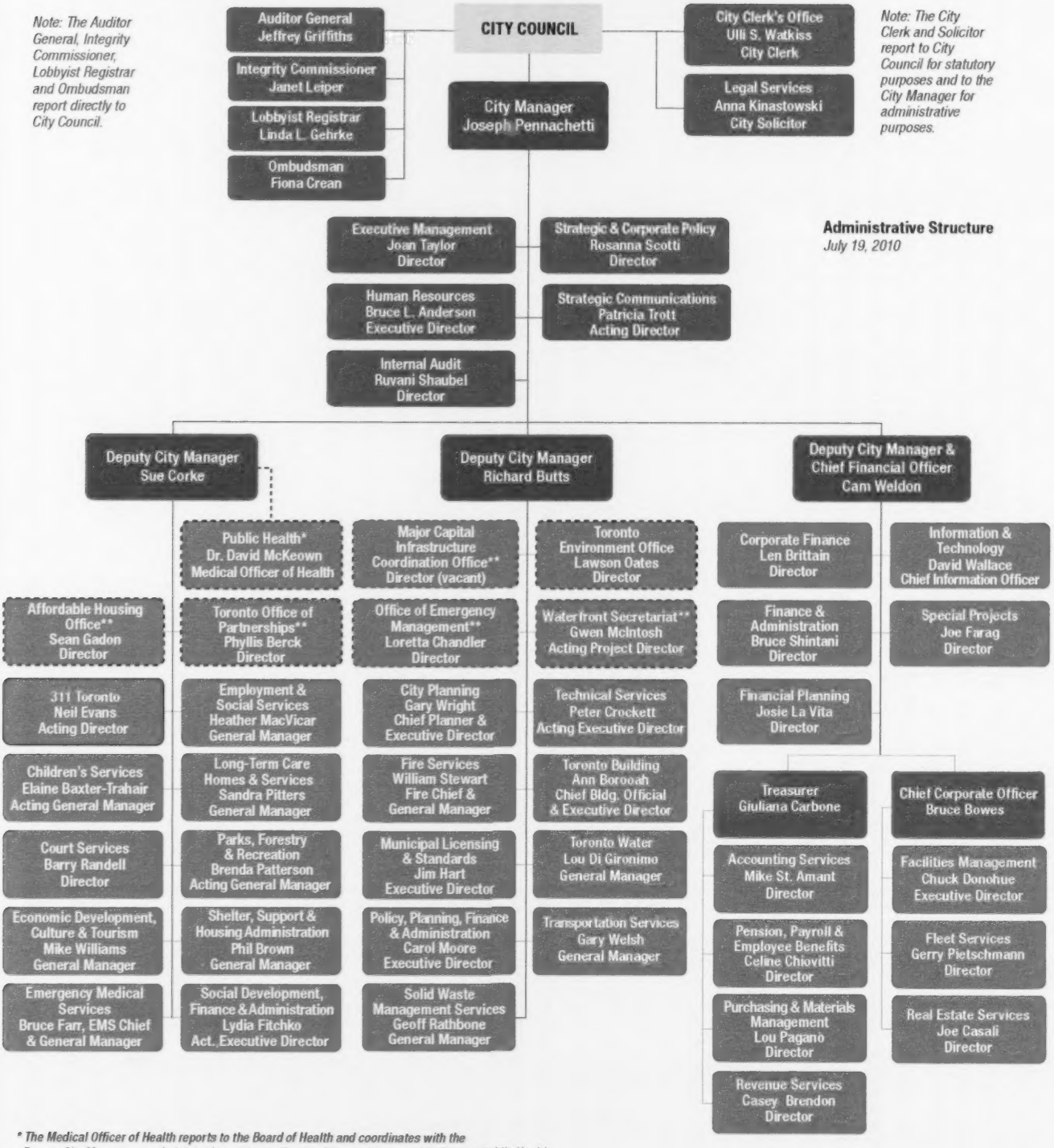
Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

CITY ADMINISTRATIVE STRUCTURE

Note: The Auditor General, Integrity Commissioner, Lobbyist Registrar and Ombudsman report directly to City Council.



Note: The City Clerk and Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes.

Administrative Structure
July 19, 2010

** The Medical Officer of Health reports to the Board of Health and coordinates with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health*
*** Within the Deputy City Manager's office indicated*

CITY OF TORONTO SPECIAL PURPOSE BODIES

AGENCIES, BOARDS, COMMISSIONS AND CORPORATIONS (ABCCS)

Corporations*/ Commercial

- Build Toronto Inc.
- Invest Toronto Inc.
- Toronto Community Housing Corp.*
- Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company*
- Toronto Hydro Corp.*
- Toronto Parking Authority
- Toronto Waterfront Revitalization Corporation

Partnered Corporations*

- Enwave Energy Corp.*

* Incorporated under the Ontario Business Corporation Act (OBCA)

Service Boards

- Board of Governors of Exhibition Place
- Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Board of Health
- Toronto Centre for the Arts
- Toronto Police Services Board
- Toronto Public Library
- Toronto Transit Commission
- Board of Management of the Toronto Zoo

Program Operating Boards

- Heritage Toronto
- Yonge Dundas Square Board of Management
- Business Improvement Areas
- Arena Boards
- Association of Community Centre Boards (AOCCs)
- Affiliated Boards

Quasi-Judicial Tribunals

- Committee of Adjustment
- Committe of Revision
- Property Standards Committee/ Fence Viewers
- Rooming House Licensing Commission
- Toronto Licensing Tribunal

Financial/ Administrative

- Sinking Fund Committee
- Toronto Atmospheric Fund Board of Directors

Pension Bodies:

- Metro Toronto Pension Plan, Board of Trustees
- Metro Toronto Police Benefit Fund, Board of Trustees
- Toronto Civic Employees' Pension and Benefit Fund Committee
- Toronto Fire Department Superannuation & Benefit Fund Committee
- Toronto Transit Commision Pension Fund Society
- York Employees' Pension and Benefit Fund Committee

ADVISORY BOARDS

Program Advisory Bodies

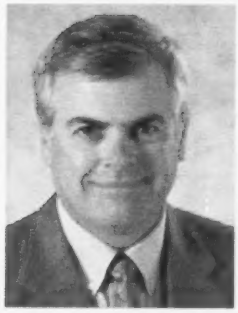
- Museum Boards
- Committees, reference groups and other bodies that advise staff on various aspects of City programs

Political Advisory Bodies

- Toronto Preservation Board
- Roundtables, task forces and other bodies that advise Council

Photographer: Bryan Pereira

FINANCIAL CONDITION & PERFORMANCE



A MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER

CAM WELDON

The 2009 Annual Financial Report for the City of Toronto provides the details on the City's financial performance over the past year and gives highlights of the progress that has been made towards achieving major goals for Toronto's residents and businesses.

This year's financial statements are quite different from prior years due to the introduction of new accounting standards for municipalities. For the first time in history, the City will now disclose its capital assets in the financial statements as well as its financial assets.

Many of the city services that Toronto's residents and businesses depend on require huge investments in capital infrastructure such as roads, subways, waterworks, parks, recreation facilities and affordable housing to name just a few. On a historical cost basis, these and other capital asset investments total $18.4 billion. The replacement value of these assets is much higher.

Recognizing the value of our capital assets in the financial statements demonstrates the importance of these past investments in delivering future services. Amortizing the cost of these assets over time reminds us that as the infrastructure ages and is consumed, we have to plan for its eventual replacement.

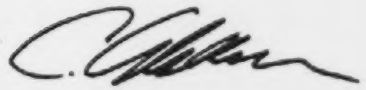
It has been a long journey to implement the capital asset accounting changes. Identifying, valuing, and amortizing our capital assets was a significant project, requiring a dedicated team, significant involvement by City divisions and considerable verification by our external auditors. I believe it was worth the effort. In many cases, the City already had asset management systems in place to monitor the state of good repair of our assets and to plan for their repair and replacement. This project has strengthened and expanded the City's capital asset management systems which will drive better and more comprehensive capital planning in the future.

The addition of capital assets to the financial statements has changed the nature of the statements as well. The results of our current year's operations is captured in the consolidated statement of operations and accumulated surplus. In addition to operating revenues and expenses, this statement includes a charge for the amortization of our capital assets and revenues received from other governments and third parties for capital purposes.

Our capital assets investment and disposition activities our outlined in the consolidated statement of net debt and is supplemented by a detailed note attached to the financial statements. Capital financing activities like the issuance and repayment of debt can be found in the consolidated statement of cash flows.

These new financial statements are simpler than the ones we reported in the past. They are now consistent with our federal and provincial counterparts who have been reporting on this basis for several years. The presentation is also much closer to the way the private sector discloses their financial results.

I am pleased to announce that for the third consecutive year, the City of Toronto has won the Government Finance Officers of America award for achieving excellence in financial reporting. Summarizing the financial results for a city as diverse and complex as Toronto is not an easy task and this award could not have been possible without work and dedication of the professional team that I have the privilege to work with every day.



Cam Weldon
Deputy City Manager & Chief Financial Officer

FISCAL CAPACITY

Toronto enjoys a well diversified economy, relatively low business costs, a well educated workforce and good liveability, which allows it to be well positioned to compete internationally. As well, the City's finances are independently confirmed on a regular basis by international credit rating agencies as being very sound. The City has a strong balance sheet, high levels of cash and an accumulated surplus of $14.8 Billion (Dec 31, 2009).

However, the City government's fiscal future may not be sustainable because of a structural funding shortfall which has been well documented and verified by independent authorities including the Conference Board of Canada.

The structural funding shortfall comprises two components:

- a cumulative component due to downloaded programs, and
- an annual component due to annual on-going operating shortfalls.

Simply put, the City is inappropriately funding certain income redistributive programs downloaded by the Province, and programs for which either other large mature cities do not fund or have appropriate source of funding. These programs are currently supported by the property tax only and include Ontario Works/Social Assistance, Social Housing, Transit (operating) and Court Security. In other jurisdictions such as U.S. cities, these programs are typically funded by a mix of income/sales taxes, and grants from other orders of government. As well, there are annual cost pressures from harmonization of services and standards, population growth, service enhancements, capital repair of ageing infrastructure and growing liabilities. These cost pressures are not adequately offset by revenue growth because the City's main revenue stream – property tax – does not grow with the economy. Also, to improve business competitiveness and to enhance jobs the City has embarked on a program for business tax relief, which is an additional cost. These have largely contributed to an annual funding shortfall and the use of ad hoc one-time funding in prior years, which has built up over time in cumulative pressures, as has been seen in the recent operating budgets. Staff estimated that the net average shortfall would range between $75 million and $100 million on an annual basis.

The operating pressures from the shortfall have begun to be partially offset by the phased-in upload of Ontario Works (by 2018) and provincial court security (by 2012). The two taxes approved under the City of Toronto Act implemented in 2008, namely Municipal Land Transfer Tax and Personal Vehicle Tax, also helped to diversify the revenue base and offset these pressures. Yet, despite Council's efforts to constrain salaries and benefits and restructure debt, and despite the important but largely pending phase out of social assistance and court security costs by the Province, the shortfalls continue. These have been offset in successive operating budgets using one time revenues such as ad hoc provincial transit operating funding and reserve draws. However, the complete permanent funding solution has not yet been achieved.

The 2008-2009 economic recession has put City's fiscal capacity under stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. For example, Social Assistance (Ontario Works) caseload increased by about 22 per cent at the end of 2009 when compared with the 2008 average level, and at the same time the City's unemployment rate increased and peaked at 10.7 per cent in August 2009 vs the 2008 average of 7.5 per cent. On the other hand, declining commodity prices and low interest cost offset some of the budget pressures. It is expected that certain recessionary impacts (such as high unemployment) may continue into the next couple of years. However, the City's fiscal sustainability should not be negatively impacted by this recession over the long term.

The City has a comprehensive Long-Term Fiscal Plan, consisting of 25 financial strategies, 17 fiscal principles and five financial policies, which were initially approved by City Council in 2005. As indicated above much progress has been made. The City can be fiscally sustainable only if and when the remaining structural funding shortfall can be eliminated. In the next 10 years, it is important to take a number of key actions:

Expenditures:

- Continue actions on efficiencies, salary and benefit restraint
- Rationalize selected services

Assets and Liabilities:

- Maximize corporate asset values and pay down debt
- Continue to increase pay-as-you-go capital financing
- Take further actions to reduce unfunded liabilities

Revenues:

- Continue actions to grow tax base
  - Improve business competitiveness
  - Improve land use intensification for areas of population growth as laid out in the Official Plan
- Develop multi-year strategies for User Fees
- Seek permanent sustainable partnership funding from other orders of government
  - 50 per cent Transit Operating Funding
  - National Transit Strategy (capital)
  - Upload of Social Housing costs and a National Housing Strategy
  - Share of sales tax revenues (equivalent to 1 cent of 13 cent HST)

PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets, comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $62 billion (replacement value). The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

City's Infrastructure is Substantial

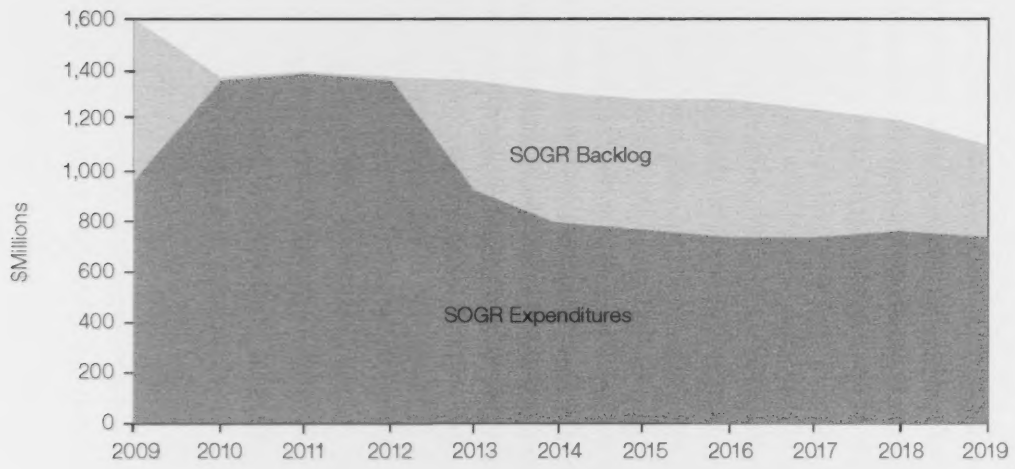
	Estimated Asset Replacement Value
Transportation Infrastructure	**$10 Billion**
Water & Wastewater Infrastructure	**$27 Billion**
Public Transit System	**$10 Billion**
Buildings, Facilities & Fleet	**$9 Billion**
Housing Infrastructure	**$6 Billion**
Total (excluding parkland and land)	**$62 Billion ++**

The City's road network, the majority of which was constructed in the 1950's and 1960's, is in need of ongoing repair and rehabilitation. The City's water and wastewater network is similarly aged — 50 per cent of the water pipes and 30 per cent of wastewater pipes are more than 50 years old, while 7 per cent of watermains and 3 per cent of wastewater infrastructure are more than 100 years old. Due to fiscal constraints, the City's historical spending in the capital program was less than ideal despite recent improvements. In addition, capital requirements resulting from population growth and demographic changes will add financial pressures. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More buses, social housing, recreation centres, etc., are required, which will put pressures on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

During the 2008-2009 recession, the federal and provincial governments introduced economic stimulus program funding (totalling $460 million over two years ending March 31, 2011) which leveraged the City's capital program and enabled the City to begin to renew the infrastructure that support City services. Staff estimated that the $25.8 billion capital plan (including Water and Solid Waste) would create or maintain 300,000 jobs over a 10-year term.

In setting the current Capital Budget and Plan, one of the principles is to ensure that available resources are utilized to mitigate State of Good Repair (SOGR) backlog for the maintenance, repair or replacement of existing assets, and to minimize risks associated with delayed maintenance of the City's ageing infrastructure. As the following chart indicates, SOGR backlog will begin to decrease in 2010, and by 2019 it will be reduced by 29 per cent (2009: $1.6 billion; 2019: $1.1 billion).

BACKLOG BEGINNING TO DECREASE IN 2010



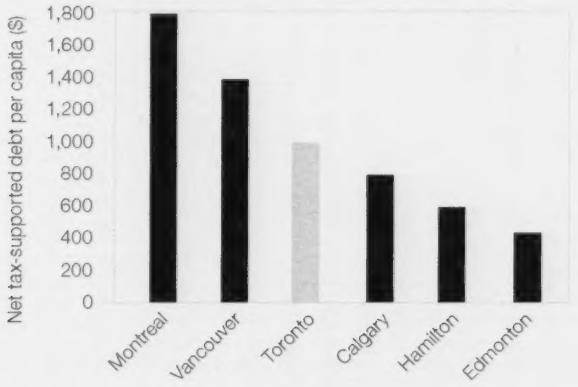
2010 Capital Budget & 10 year Capital Plan & Forecast
SOGR = State-of-Good Repair

CAPITAL FINANCING AND DEBT

The City borrows to fund capital expenditures. (It cannot borrow to fund operating expenditures under the City of Toronto Act). Toronto has enjoyed relatively low debt levels; however, there is a sizeable gap between future capital expenditure needs and ongoing sustainable revenue sources. The City does not have the financial capacity for necessary growth related expenditures, e.g. TTC, Transportation, Social Housing, etc. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirement. In fact by 2014, no new debt is required to fund the City's programs except for the TTC.

Overall, the City's debt burden is relatively modest and its net tax-supported debt per capita is comparable to other major Canadian municipalities.

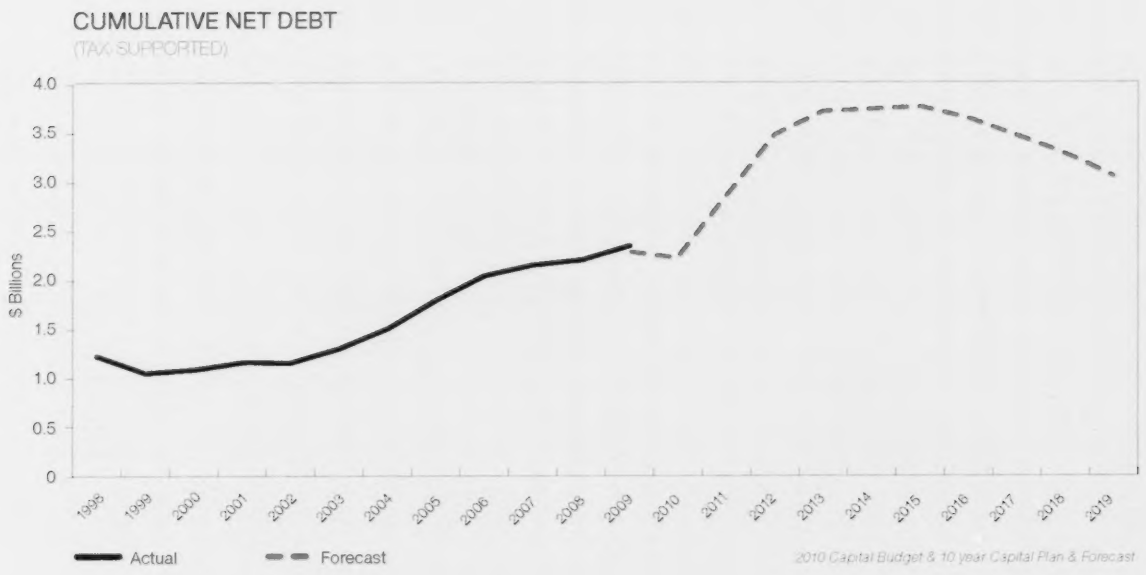
TORONTO'S NET DEBT IS COMPARABLE
TO OTHER MAJOR CANADIAN CITIES



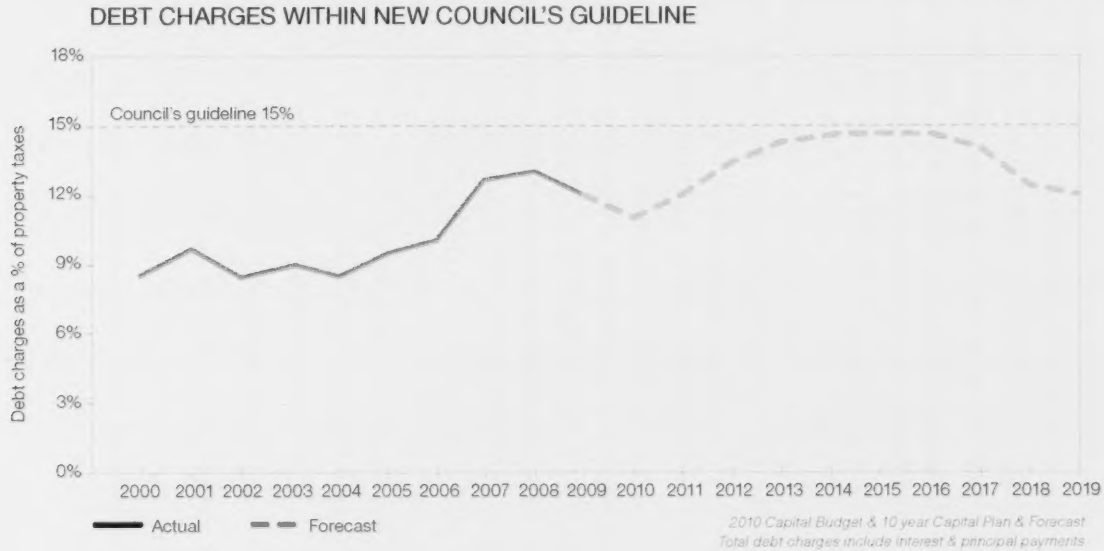
Source: DBRS Canadian Municipal Government Fact Sheet – July 2009

In 2007 Council approved the Financial Planning Process and a pilot of the 2008 Service Planning Process, which set the framework for developing multi-year capital and operating budgets, and ensured that limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

Gas tax funding from the federal and provincial governments, as well as provincial transit funding has alleviated some of the capital financing pressures and will help to lessen future debt requirements. To properly fund the capital needs of the City over the next five years, meet affordability guidelines, protect the City's excellent credit rating and take advantage of the very low interest rates now available for longer-term loans, the City has a plan to finance parts of its current and future debt by paying down existing debt, and borrowing funds using debt terms that better match the useful life of the assets being acquired. The majority of projects will be financed using 10-year debt, since most of the capital budget is devoted to long-term rehabilitation of existing assets. For selected projects, 30-year debt will be used to finance long term assets such as subway tunnels and subway cars. As part of this approach, the City will use the proceeds of the Toronto Hydro promissory note, which had been dedicated to two specific areas of investment (Spadina subway and Waterfront development), and pay down approximately $600 million of existing debt. The projects previously funded from this reserve will be refinanced for that amount over a 30-year period and only when the funds are actually required. Current preliminary estimates show that the City's net debt (tax supported) would decrease from $2.4 billion at the end of 2009 to $2.3 billion by the end of 2010 before increasing to $3.1 billion by 2019 as shown in the chart below.



City Council has approved a debt service guideline such that the debt service cost should not exceed 15 per cent of property tax revenues in a given year. This limit means that at least 85 cents on each tax dollar raised is available for operating purposes. The debt refinancing strategy will help manage the pressures of debt repayment related to the annual operating budget. Repayment of principal and interest on the City's debt continues to be the second highest expense on the annual property tax bill. Lowering the annual debt payments, and spreading them out over a longer period, will allow the City to direct more property tax dollars to services each year. The current forecast shows that the City's debt charges will fall within this guideline in the next five years.


DEBT CHARGES WITHIN NEW COUNCIL'S GUIDELINE
Debt charges as a % of property taxes
18%
15%
12%
9%
6%
3%
0%
Council's guideline 15%
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Actual
Forecast
2010 Capital Budget & 10 year Capital Plan & Forecast
Total debt charges include interest & principal payments

INVESTMENT ACTIVITIES DURING 2009 AND THE OUTLOOK FOR 2010

As mentioned earlier in the Economic Growth section, the world investment markets experienced a rapid decline in the fall of 2008, and remained volatile in the next few months. Then in the spring of 2009, the global economy began to stabilize, stocks began to rebound and credit markets began to unfreeze and open up and function in a fairly normal fashion. While inflation had not yet become a major concern of central bankers, economic growth had begun to turn positive by the third quarter of 2009, although little progress had been made towards reducing high unemployment rates in the world's major economies.

For 2010, there is a growing concern that economic growth and employment levels may falter as the federal and provincial governments in Canada as well as their U.S. counterparts continue to sustain large fiscal deficits while only planning to reduce them over the next five years as stimulus spending is withdrawn from the economy and central banks begin the process of increasing interest rates. As well, the Canadian and U.S. economies may be impacted by inflationary pressures as well as external situations such as the condition of the European and Asian economies and fiscal health.

Capital Market Activity

During 2009, the City issued $400 million of its approved $700 million debt program and had $300 million remaining that was not utilized from the 2009 Council authority due to less than receptive capital markets. This transaction received a good reception in a challenging and difficult bond market. The term-to-maturity of this issue blended current capital market conditions with the matching of the economic life of various capital expenditures to their financing terms. The structure and pricing of the transaction achieved the lowest cost of funds available relative to other potential structures, markets and currencies as permitted by provincial legislation.

Increasing the term-to-maturity of the City debt issuance to match the economic life of the City's infrastructure assets and providing liquidity to investors through larger bond issues are very important features of the City's 2010 debt issuance program which has been structured to issue debt with a 30-year term and the ability to reopen bond issues, depending upon capital market conditions.

Investment Activity

The City manages several investment portfolios, each with specific objectives. The City does not invest in equities except on a very limited basis through standalone entities and for specific purposes, specifically the Toronto Atmospheric Fund and the Toronto Community Housing Corporation. Two individual portfolios that are managed interactively are the Bond and Money Market Funds. The Bond Fund is positioned towards funding the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations. The City's investment portfolio had a carrying value of $3.25 billion as at Dec 31, 2009.

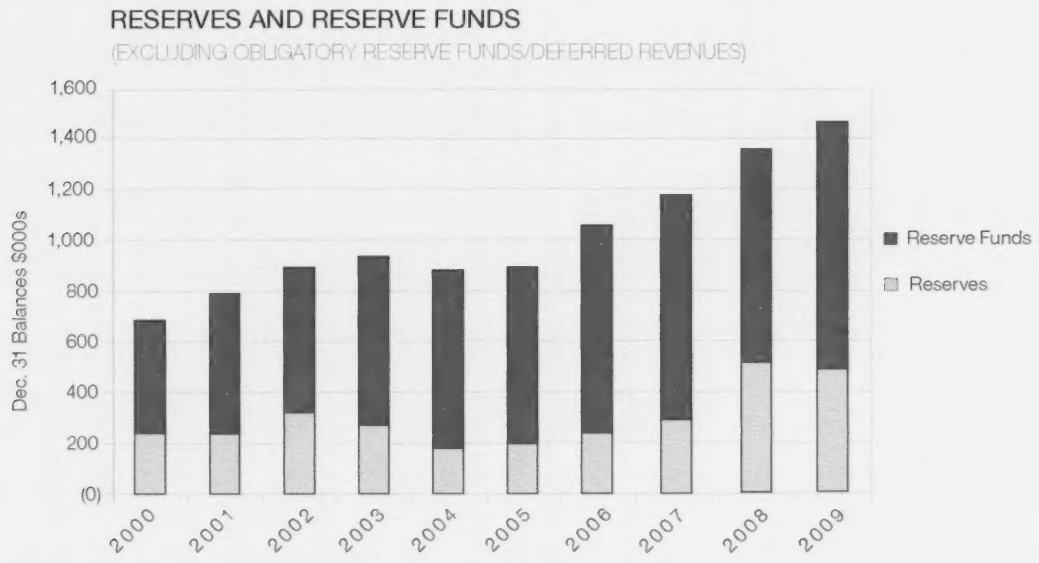
Despite a lower portfolio balance and historically low interest rate environment, the City earned an overall investment return of 4.7 per cent in 2009 versus 4.6 per cent in 2008 on a book value basis. This result was achieved by minimizing the time that funds were held in lower-yielding money market securities while retaining investments that were held in the Bond Fund for as long as possible through active cash management, forecasting and taking advantage of market opportunities to increase yields.

The City's bond portfolios continued to exhibit high credit quality and liquidity as no bond or money markets investments were held with less than an "A" credit rating as 83 per cent were rated "AAA" and 17 per cent were rated "AA," consistent with portfolio holdings over the past three years. During 2009, the flight-to-quality phenomenon started to reverse as soon as there were early signs of an economic recovery.

Looking forward, investment yields are expected to increase and credit spreads to continue to increase but at a far more modest pace. For 2010, higher short-term and stable long-term interest rates should have a positive impact on the performance of the City's investment portfolios, providing an opportunity for a possible duplication of the excellent investment performance results achieved in 2009.

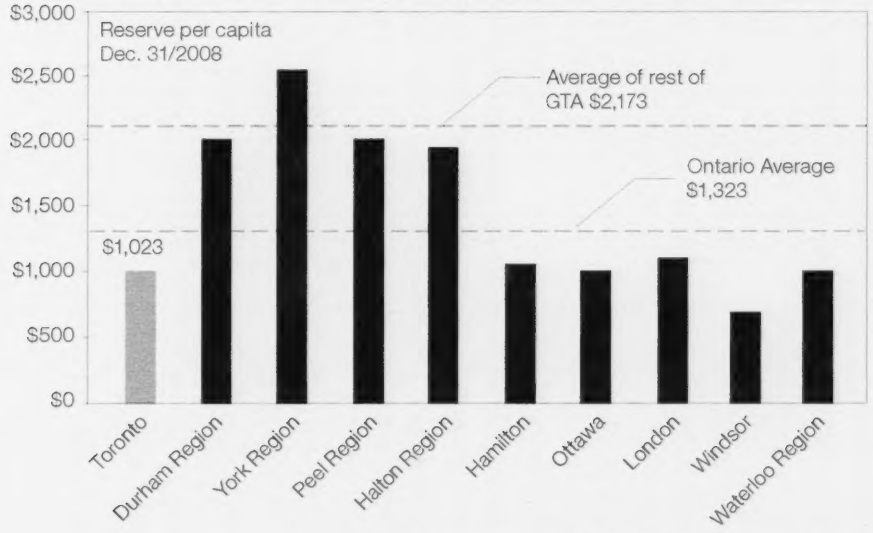
RESERVES AND RESERVE FUNDS

Reserves and Reserve Funds are monies set aside by Council to earmark revenues to finance a future expenditure for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. The following chart shows the reserves and reserve fund balances over the last 10 years. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to specific future liabilities. Due to its structural financial deficit mentioned earlier, the City has relied to some extent on reserve draws as a one-time revenue source to offset annual operating pressures. These one-time draws have somewhat limited the City's future financial flexibility in responding to risk and adverse circumstances.



On a comparative basis, the City's overall reserve fund balance on a per capita basis is comparable to those of other cities/regions such as Hamilton, Ottawa, London and Waterloo region, but is much lower than those of the rest of the GTA. Toronto's 2008 reserve per capita of $1,023 was about three-quarters of the provincial average ($1,323), and less than half of that of the rest of the GTA ($2,173). The City has established long-term reserve strategies for major reserves, e.g., employee benefits reserve and water and wastewater stabilization reserves, to address and mitigate the inadequacy, including determining needs and establishing contribution policies.

RESERVE LEVELS ARE COMPARABLE TO OTHER CITIES/REGIONS BUT LOWER THAN THE REST OF GTA



Sources: Ontario Ministry of Municipal Affairs & Housing - 2008 FIR, City of Toronto
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government or third parties earmarked for certain purposes, e.g., Transit, Social Housing, Development Charges, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. The balance of such funds categorized as Obligatory Reserve Funds as at December 31, 2009 was $1.2 billion. These funds are all committed, some of which will be used to fund some of the City's priority capital needs like transit expansion, and are not available at Council's discretion.

REVENUES

PROPERTY TAX

Property tax revenue is the City's single largest source of revenue. In 2009, the City collected $3.6 billion from residential and business property owners, representing about 38 per cent of its total operating revenues.

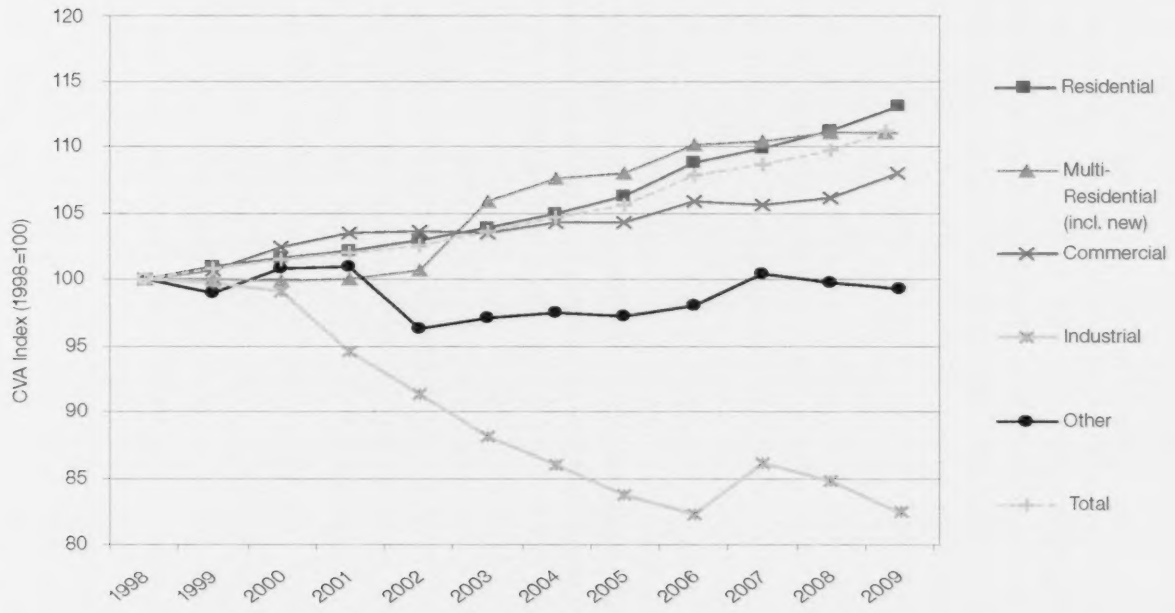
Every year the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates set by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential). The total tax rate for a property class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to fund the provincially-determined costs of education.

Certain properties are protected from excessive tax increases resulting from the implementation of CVA starting in 1998. The cost of such protection is funded by limiting tax decreases on other properties.

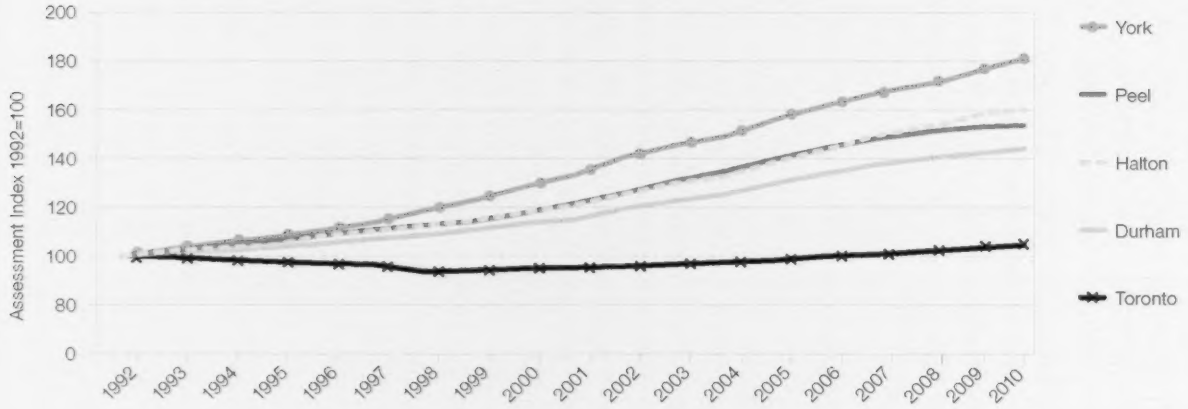
The total CVA of the City's properties saw a total true net growth (ie. excluding CVA impacts) of 11.5 per cent from 1998 to 2009 when the impacts of property reassessment are removed. Within the various property classes, residential properties had a true growth of 13.9 per cent, and multi-residential properties had an increase of 11.5 per cent. For the non-residential properties, while commercial properties had just a modest 6.4 per cent in true assessment growth, industrial properties had a net decrease of over 17.3 per cent. This is illustrated in the chart below.

TORONTO'S TRUE ASSESSMENT GROWTH
(EXCLUDING REASSESSMENT IMPACT)
1998-2009



Over the last 16 years, the GTA experienced quite remarkable economic and population growth following the recession of the 1990's. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada with respect to population between 2001 and 2006, such as Milton (71.4 per cent), Brampton (33.3 per cent), Vaughan (31.2 per cent), Markham (25.4 per cent), Richmond Hill (23.2 per cent) and Ajax (22.3 per cent). The bulk of the new construction and the associated assessment increase are located in the surrounding areas in the GTA. For example, from 1992 to 2010 York Region's total assessment increased by 81 per cent, Halton Region (which contains Milton) saw a 62 per cent increase, Peel Region's increased by 56 per cent, and Durham Region's increased by 47 per cent. By comparison, the City of Toronto saw a gradual decline in assessment from 1992 to 1998, and there has been a modest increase since then. In fact, Toronto's property assessment is now 5 per cent above its 1992 level.

TORONTO'S ASSESSMENT GROWTH MORE MODEST THAN THE NEIGHBOURING REGIONS



Source: Ministry of Municipal Affairs (FIR), MPAC, Annual Financial Reports of the respective regions and survey.

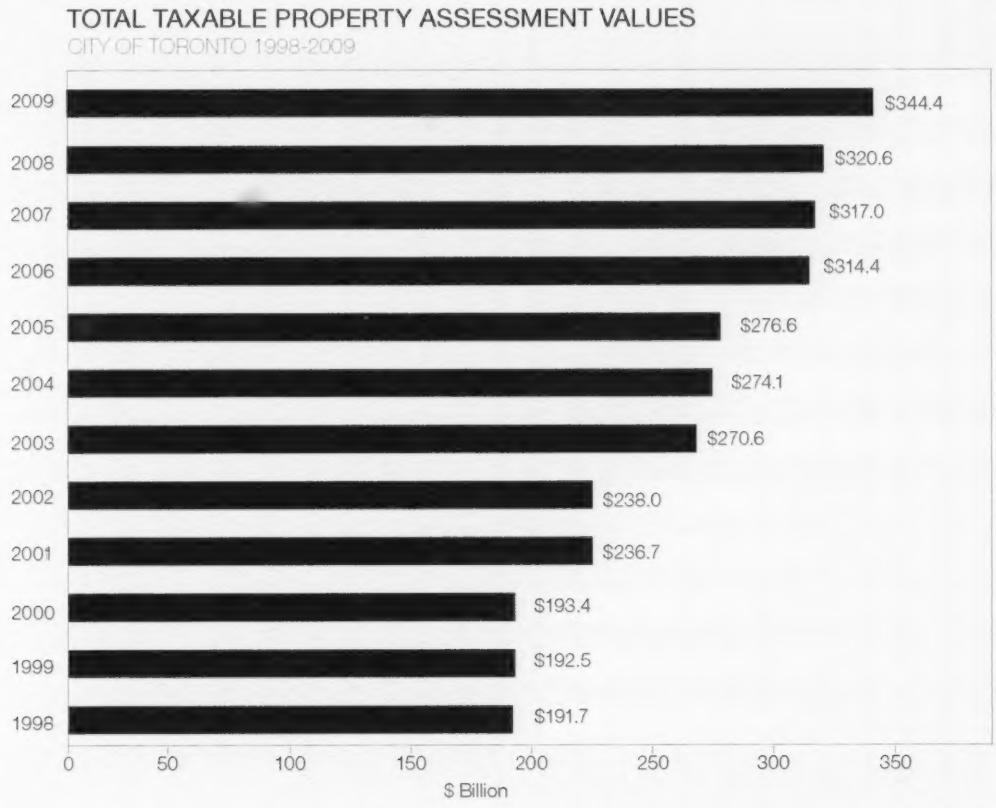
For 2009, properties have been reassessed to reflect a January 1, 2008 valuation date. This updated the assessed values from the previous base of January 1, 2005, following a moratorium on reassessments pending the results of a review by the Provincial Ombudsman in 2006. An outcome of this review has resulted in amendments to the Act, providing for a four-year reassessment cycle with Current Value Assessment (CVA) increases being phased-in between the four-year periods. This means that any increase in CVA from the reassessment will be phased-in at incremental increases of one-quarter of the total increase, spread over 2009 to 2012 taxation years. CVA decreases are not subject to phase-ins and will be applied immediately. The next reassessment will take place in 2013 with valuations based on January 1, 2012 valuation date. These changes will be phased in between 2013-2016.

The following table shows the valuation dates used for each taxation year from 1998 to 2016:

Taxation Year	Valuation Date		
1998 - 2000	June 30, 1998		
2001 - 2002	June 30, 1999		
2003	June 30, 2001		
2004, 2005	June 30, 2003		
2006 - 2008	January 1, 2005		
2009 - 2012	January 1, 2008	✓	Increases phased-in over 4 years
2013 - 2016	January 1, 2012		

Property Assessment

The following charts shows the total taxable property assessment values (CVA) in Toronto over the period 1998-2009.



Effective 1998, Ontario municipalities, whose commercial, industrial or multi-residential tax ratios (as a ratio of the residential class) exceed threshold ratios established by the Province, are restricted to some extent from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, which means that limited municipal levy (budgetary) increases can be passed on to these classes so long as the ratios exceed the threshold limits. This means that instead of accessing the full assessment base, the City could increase tax rates only on the residential class.

Toronto's Tax Ratios vs. Provincial Threshold Ratios

	2001 Taxation Year	2002 Taxation Year	2003 Taxation Year	2004 Taxation Year	2005 Taxation Year	2006 Taxation Year	2007 Taxation Year	2008 Taxation Year	2009 Taxation Year	Provincial Threshold Ratios
Multi-residential	4.174	4.001	3.870	3.802	3.761	3.635	3.546	3.469	3.380	2.74
Commercial	3.798	3.513	3.516	3.762	3.802	3.674	3.584	3.506	3.373	1.98
Commercial Small								3.410	3.265	1.98
Industrial	5.301	4.120	4.120	4.273	4.273	4.090	3.920	3.740	3.547	2.63

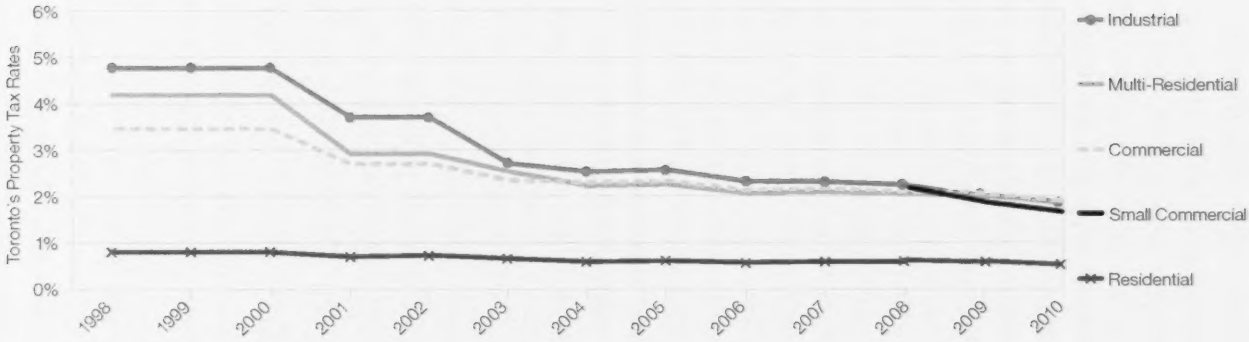
Since 2004, the Ontario Government has in its annual budget introduced regulations, on a one-time basis, that made adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50 per cent of the rate for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005, Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate – It's Everybody's Business" to improve the business climate in the City, and consequently in 2006 implemented the policy of allowing for up to one-third of any residential tax rate increase to be applied to the Commercial, Neighbourhood Retail, Industrial, and Multi-Residential tax classes (i.e. a one percent non-residential tax increase for a residential tax increase of three percent), which would reduce its non-residential tax ratios to 2.5 times the residential rate over 15 years (ie. by 2020). In addition the policy provides for an accelerated tax reduction for neighborhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (2015), as well as property tax relief measures for non-retail office, hotel and industrial developments.

In 2009, partly due to the impacts of reassessment and Council's support to Enhancing Toronto's Business Climate, acceleration in the commercial and industrial tax rate reductions was implemented for 2009, which will keep the City on track to reaching it's Enhancing Toronto's Business Climate tax reduction targets of 2.5-times the residential rate two years earlier for small businesses (2013 instead of 2015), and three years earlier for the rest of commercial and the industrial and multi-residential properties (2017 instead of 2020).

BUSINESS TAXES HAVE BEEN REDUCED

(MUNICIPAL RATES ONLY)



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce business education tax (BET) rates for the City of Toronto businesses closer to the average of the surrounding GTA municipalities; creating a new, fair water rate structure for industrial and manufacturing companies; and continuing the relief of development charges for the City's commercial industry.

The City of Toronto Act gives options that limit the quantum of re-assessment related tax increases for the commercial, industrial, and multi-residential property classes. The City has adopted the capping option that limits CVA-related tax increases to 5 per cent of a property's prior year taxes, which for these properties phases them in towards their full CVA level of taxes.

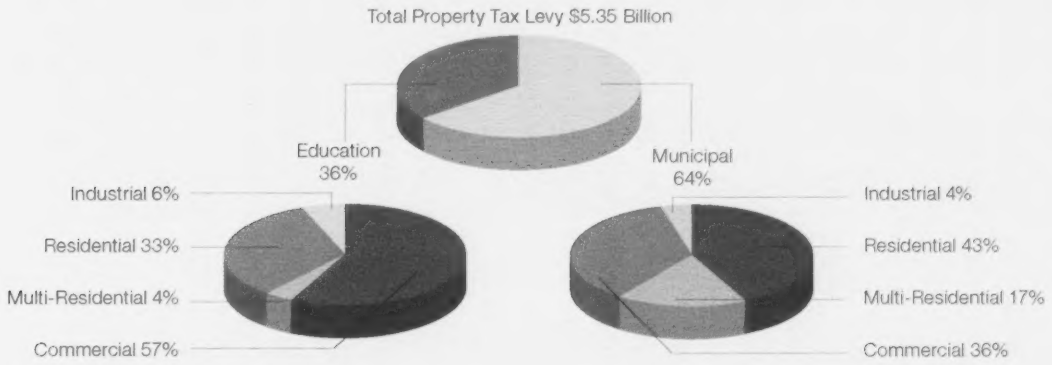
Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also required.

Tax relief policies in effect for 2009 include:

- The cancellation of any tax increase for seniors aged 65 or older, or disabled person(s) with a household income of $30,000 or less, who have occupied their home for at least one year, and the residential property is assessed at less than $525,000.
- The interest free deferral of any tax increase for seniors aged 50 years or older or disabled persons, whose household income is $50,000 or less and have owned the property for at least one year.
- A 40 per cent rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

The following chart shows the total approved 2009 property tax levy totalling $5.35 billion, comprising $3.44 billion (64%) for municipal purposes, and $1.91 billion (36%) for education purposes which the City collected on behalf of the Province of Ontario. The approved amounts may be different from actual amounts received.

TORONTO 2009 PROPERTY TAX LEVY



The chart below illustrates the 2009 taxes payable for the average household in Toronto with an assessed value of $387,680.

2009 Average Household Property Taxes
Average residential assessed value – $387,680

	2009 Tax Rate	2009 Property Tax
Municipal Purposes	0.6027807%	$2,337
Education Purposes	0.2520000%	$977
Total	0.8547807%	$3,314

USER FEES

User fees are the City's second largest source of revenue. Where direct users can be identified, City user fees are established to recover the full cost of the relevant service and increased by the rate of inflation to the extent possible, while ensuring that the most vulnerable are protected.

Total user fee revenues represent approximately 24 per cent of total tax and rate-supported operating revenues. They include transit fares, parks and recreational fees, Water and Wastewater charges, as well as Solid Waste fees. The City's current user fee structures are at levels generally comparable to, and competitive with, the surrounding municipalities.

Council in 2007 approved a new plan to achieve a Solid Waste diversion goal of 70 per cent by 2010, by providing effective and efficient waste management and resource recovery services to residents and businesses in order to maintain a clean and healthy City. As part of the initiative, a new funding system, the volume-based rate structure, was implemented November 1, 2008 to pay for the required additional programs and services. With this structure, fees are tied to the volume of waste produced. Residents pay different fees for different bin sizes that they choose. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user fee-based, and its fees are now part of the Utility Bill, together with the water charges, that are sent to City residents and businesses. To-date, the users of these services pay the full costs of the delivery and the service.

FUNDING TRANSFER FROM OTHER GOVERNMENTS

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and transit funding. In 2009, these transfers represented 19 per cent of the total Operating Budget (tax and rate-supported).

OTHER REVENUES

Other revenues include other income such as earnings from business enterprises and investment income. The total of these revenues makes up about 16 per cent of the City's total Operating Budget (tax and rate-supported).

NEW TAXATION

Two new taxes: Municipal Land Transfer Tax (MLTT) and Personal Vehicle Tax (PVT) were implemented in 2008 (MLTT – February 1, 2008 and PVT – September 1, 2008). The City of Toronto is the only Ontario municipality with the legislative authority *(City of Toronto Act, 2006)* to allow it to levy taxes other than property taxes. The two new taxes brought in revenues totalling $236 million or approximately 2 per cent of the City's total Operating Budget (tax and rate-supported).

CREDIT RATING

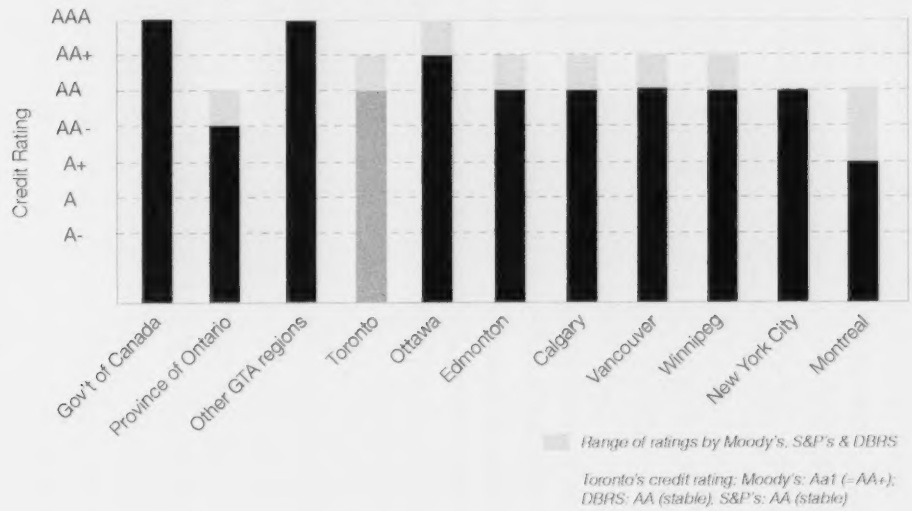
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

A municipality's credit rating helps to determine the ability to borrow funds. Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management; strength of economy; level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

While the City's debt affects its rating, the rating affects the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt, in which case the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains among the highest of comparably sized or larger North American cities such as New York, Vancouver and Montreal.

TORONTO'S CREDIT RATING



Currently, the City of Toronto's credit ratings are:

- Aa1 with a stable outlook from Moody's Investor Service – confirmed March 2010
- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed May 2010
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – December 2009

	2009 - 2002	2001	2000	1999	1998	1997
DBRS	AA	AA (high)	AA (high)	AA (high)	AA (high)	AAA
Standard and Poor's	AA	AA+	AA+	AA+	AA+	AA+/ AAA
Moody's Investors Service	Aa1	Aa2	Aa2	Aa2	Aa2	Aa2

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto.

"Toronto continues to have the deepest, most diversified local economy in Canada.....Toronto maintains a low debt burden compared with those of 'AA' rated peers.....The city has what we view as a relatively healthy liquidity balance, which has more than quadrupled since 2000.....Toronto plans to increase its debt burden substantially in the next three years to fund peak lifecycle maintenance requirements, tackle priority projects, and accelerate certain works to qualify for federal fiscal stimulus funding.....Nevertheless, we believe Toronto's debt under the revised borrowing plan would still be relatively moderate. Moreover, to mitigate the impact of the revised borrowing plan on debt servicing, the city intends to finance long-term capital assets with 30-year debentures, which we expect will have a cheaper servicing cost in the early years compared with the 10-year debentures it currently issues"

Standard & Poor's, December 2009

"The City of Toronto's debt rating of Aa1 reflects the city's low debt burden and corresponding low debt service ratios. Moreover, the high investment-grade rating is supported by the city's high levels of net cash and investments, which provide substantial liquidity that could be tapped to mitigate unanticipated shocks, a considerable measure of safety for debenture holders. The rating also reflects the positive operating results recorded over the past several years despite numerous challenges experienced through the city's operating budget process, requiring annual adjustments. Toronto's Aa1 rating also reflects a large and diversified economy, which remains a source of credit strength, providing access to a broad tax base."

Moody's Investors Service, March 2010

"DBRS has confirmed the ratings of the debentures issued by the City of Toronto (the City or Toronto) at AA. The trends remain Stable. The sound credit profile of the City remains supported by the ability to levy taxes on the large and well-diversified Toronto economy and a healthy level of liquid reserves, amounting to $1.8 billion at year-end 2009. DBRS notes, however, that the capital plan is expected to enlarge the tax-supported debt burden by about 50% by 2014 and will likely erode much of the flexibility.....In the coming years, growth in the debt burden will be driven by the extensive capital plan, which focuses on new transit infrastructure and investment in roads and bridges. All in, the capital spending pressure is forecast to push debt to a peak of roughly $3.8 billion, or $1,400 per capita, by 2014. This level of debt is viewed as manageable for the current rating given the strength of the economy and healthy level of reserves, but it will materially reduce the City's room to manoeuvre.....DBRS expects that Toronto can continue posting sound operating results if it maintains its recent fiscal resolve in dealing with base budget pressures and creates budget space to fund much-needed infrastructure investments."

DBRS, May 2010

PERFORMANCE MEASUREMENT AND BENCHMARKING RESULTS

To provide context when examining Toronto's performance, it is important to consider that municipal property taxes represent only 6.6 per cent of the total taxes, in all forms, paid annually by an average Ontario family. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the GST and PST, and embedded taxes, which are included in the price of gasoline, liquor and tobacco. The discussion on Toronto's performance that follows is focussed on how Toronto utilizes it 6.6 per cent share of the total tax dollar.

Toronto's 2008 Performance Measurement and Benchmarking Report Benchmarking Report can be found at: *http://www.toronto.ca/legdocs/mmis/2010/ex/bgrd/backgroundfile-31020.pdf.* It includes:

- service/activity level and performance measurement results (efficiency, customer service and community impact) in 27 different service areas;
- up to nine years of Toronto's historical data to examine internal trends;
- a comparison of Toronto's 2008 results externally to 14 other municipalities through the Ontario Municipal CAOs Benchmarking Initiative (OMBI);
- colour coded summaries of results and,
- a description of 2009 achievements and planned 2010 initiatives that will further improve Toronto's operations in the future.

By examining our own operations and working with other municipalities through OMBI, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. As part of the Operating Budget decision-making process, all City services are quantified and evaluated using performance measures. Over the next three years, the City will move towards a service-based, performance focused, and multi-year budget process through program map and service planning in 2011 and the introduction of a new budgeting system beginning in 2012 – all based on a full Public Service View for the City of Toronto.

Summary of Toronto's 2008 Performance Measurement & Benchmarking Results

Toronto is unique among Ontario municipalities because of its size and its role as the centre of business, culture, entertainment, sporting and provincial and international governance activities in the Greater Toronto Area. Even Toronto's largest single-tier municipal comparators within Ontario, such as Hamilton and Ottawa, have a significant rural component that Toronto does not.

The most accurate comparison for any municipality is to examine one's own year-over-year performance and longer term historical trends. For this reason, it was considered important to include up to nine years of Toronto's internal data in the Benchmarking Report.

Despite the unique characteristics of Toronto, such as our much higher population density, there is also value in making comparisons of performance measurement results to other municipalities to assist in understanding how well Toronto is doing. Through the OMBI partnership, performance measurement results are shared between municipalities and are included in Toronto's Benchmarking Report. Toronto's results are ranked and placed in quartiles relative to the other 14 municipalities that comprise OMBI, which together with Toronto serve more than 9.4 million residents or 73 per cent of Ontario's population. OMBI's members are comprised of eight single-tier cities/counties and seven regional or upper-tier municipalities.

Internal Trends – Service/Activity Level Indicators

Of the 44 service/activity level indicators included in the Benchmarking Report, 82 per cent of results remained stable or increased in relation to 2007. Examples of some of the areas in which Toronto's service levels or levels of activity have increased in 2008 include:

- More park land and trails added
- Increased library holdings
- More registered sports and recreation programming were offered
- More transit vehicle hours were provided

Internal Trends – Performance Measures

Of the 118 performance measurement results, of efficiency, customer service and community impact included in the Benchmarking Report, 69 per cent had results that were either improved or remained stable relative to 2007.

Examples of areas in which Toronto's 2008 performance indicators improved include:

- Increased commercial/industrial construction values
- Decreased crime rates in all crime categories
- Reductions in fire-related injuries and fatalities and an improvement in response time
- Increased public transit usage

External Comparisons – Service/Activity Level Indicators

Of the 52 service/activity level indicators in the Benchmarking Report, Toronto's results were higher than the median of the OMBI municipalities for 54 per cent of the indicators.

Examples from the report where Toronto's size and higher population density require higher service levels include the:

- Highest rate of library holdings
- Highest rate of social housing units
- Highest rate of transit vehicle hours provided

Examples in the Benchmarking Report where Toronto's results are lower in levels of service than other municipalities can be explained by its population density. In comparison to other municipalities, Toronto has a high population density (persons per square kilometre). In municipalities with higher densities, a larger number of people can make use of a single service, because it is convenient for them to access this service. In contrast, municipalities with lower densities require more service locations to make it convenient to access these services. For example, Toronto ranks lower in number of library hours per capita, because municipalities with low population densities require more library branches, and hence, more service hours, so that service can be provided within a reasonable distance of its residents.

External Comparisons – Performance Measures

Of the 118 performance measures of efficiency, customer service and community impact in the Benchmarking Report, Toronto's results are higher than the median of the OMBI municipalities for 47 per cent of the indicators. Examples where Toronto has the top/best result of the OMBI municipalities include the:

- Highest rate of commercial/industrial construction values per capita
- Lowest rate of fire related injuries
- Lowest cost of governance and corporate management
- Highest rate of transit trips per capita

OTHER METHODS OF ASSESSING TORONTO'S PERFORMANCE

Other Report Cards and Indicator Reports

Toronto's Benchmarking Report focuses on performance measurement results in specific service areas; however, it is by no means the only type of reporting conducted by Toronto in this area. Links to other report cards or indicator reports issued by the City of Toronto, or, in association with the City, are noted below:

- Housing Connections Statistical Reports: *http://www.housingconnections.ca/information/Reports.asp*
- Homelessness and Housing Research and Reports: *http://www.toronto.ca/housing/research-reports.htm*
- Toronto Community Health Profiles: *http://www.torontohealthprofiles.ca/*
- Economic Indicators: *http://www.toronto.ca/business_publications/indicators.htm*
- Federation of Canadian Municipalities – Quality of Life Indicators *http://acaciaconsulting.ca/fcm/qolrs/10x10grid.htm*
- Vital Signs- Issued by Toronto Community Foundation *http://www.tcf.ca/vitalinitiatives/vitalsigns.html*

Toronto in International Rankings and Reports

Toronto continues to be considered one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. These include:

- Toronto made **Forbes Magazine** 2008 list of the top 10 most economically powerful cities, competing with Madrid, Mexico and Philadelphia for the number 10 spot. According to Forbes, Toronto continues to be the economic heart of one of the world's wealthiest countries, and along with London, is the fastest growing G8 financial centre.
- **KPMG's 2010 Competitive Alternatives** study found that Toronto continues to offer one of the most cost effective business and investment climates in the world. The KPMG study measured 26 business cost components, including labour costs, facility costs, transportation costs, utility costs and income taxes in 10 countries and more than 100 cities around the world. The study also compared data on a variety of non-cost competitiveness factors that could also influence the attractiveness of locations to business, such as labour availability and skills, economic conditions and markets, innovation, infrastructure, the regulatory environment, cost of living and quality of life. The basis for comparison is the after-tax cost of start up and operations, over a 10-year period.
- According to the **Economist Intelligence Unit** (the Economist Magazine), Toronto ranks fourth in the world for liveability, following Vancouver, Vienna and Melbourne. The December 2009 study rated 140 cities worldwide across the following five categories: stability, health care, culture and environment, education, and infrastructure.
- The **2010 Mercer Quality of Living** survey ranked Toronto 16 out of 50 cities. Canadian cities dominated the rankings in the Americas (North, Central and South America). Mercer's 2010 Quality of Living Survey evaluated 221 cities and selected 50 cities based on various measures relating to quality of living, such as political, social, economic and environmental factors, safety, public services and transportation, and recreation.
- A survey conducted in 2009 by **Z/Yen Group** ranked Toronto 12th out of 75 financial centres on the Global Financial Centres Index (GFCI). The aim of the CFCI is to examine major financial centres in terms of competitiveness. The report states that Toronto has risen since the last report and now ranks as the 2nd North American financial centre, as well as the clear leader in Canada. Toronto also performed well in the People sub-index, where it scored 6th place, and in the Asset Management and Professional Services subindices, where it ranked 9th place in both categories. The GFCI report evaluated the competitiveness of 75 financial centres worldwide using results of online surveys completed by financial services leaders, and various separate indices of competitiveness.

- In its November/December 2008 issue, **Foreign Policy (FP)** Magazine ranked Toronto as one of the world's top 10 global cities, after New York, London, Paris, Tokyo, Hong Kong, Los Angeles, Singapore, Chicago and Seoul. FP's inaugural 2008 Global Cities Index ranked 60 cities according to the following categories: business activity, human capital, information exchange, cultural experience and political engagement. Toronto ranked fourth for culture (after London, Paris and New York), tenth for human capital, eighteenth for information exchange, twenty-fourth for political engagement, and twenty-sixth for business activity.
- The **World Intellectual Property Organization,** which tracks the number and types of patents that have been issued worldwide, reported that Toronto had the eighteenth-highest number of patents globally. Patents are one of the most direct ways of measuring innovation.
- The **2008 Worldwide Centers of Commerce Index** ranked Toronto thirteenth in the world (after London, New York, Tokyo, Singapore, Chicago, Hong Kong, Paris, Frankfurt, Seoul, Amsterdam, Madrid and Sydney), and third in North America (after New York and Chicago). Developed for MasterCard, the index evaluates 75 of the world's leading global cities and their role in driving the international economy based on seven categories: legal and political framework, economic stability, ease of doing business, financial flow, business centre, knowledge creation and information flow, and liveability. Toronto ranked sixth, alongside Montreal and Vancouver, for its legal and political framework, and fourth for ease of doing business, after Singapore, Hong Kong and London.
- A recent report published in December of 2009 by the **Organization for Economic Cooperation and Development (OECD)** conducted a study on the economic competitiveness of the Toronto metropolitan region. Some of the highlights of the report include the challenges faced in the Toronto region with respect to its mixed economic performance. GDP per capita and GDP growth rates are below the Canadian average. It has had lower annual economic and labour productivity growth than the average of OECD metropolitan regions over 1995-2005.

World Bank Initiative to Develop City Indicators

It is also important to compare Toronto internationally. Toronto is an active participant in the World Bank sponsored Global City Indicators Facility (GCIF) and has supported the development of a standardized set city indicators that measure and monitor city performance and quality of life globally.

Toronto was one of the original nine pilot cities, that has grown to over 100 international cities as of May 2010. It is expected that this initiative will still take some time before comparable results will become available, but if successful it will provide a valuable additional source of information to assess how well Toronto is doing from both a service delivery and quality of life perspective.

Conclusion

The City continues to promote a continuous improvement culture in order to provide our citizens and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency and quality and beneficial impact on our communities.

For further information on Toronto's performance please visit our website at *http://www.toronto.ca/city_performance/.*

TREASURER'S REPORT

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the City of Toronto Act, the financial statements are prepared in accordance with generally accepted accounting principles as set by the Canadian Institute of Chartered Accountants' (CICA) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by Ernst & Young LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

New Accounting and Financial Reporting Requirements:

Effective January 1, 2009, the City has adopted PSAB Sections 3150 (Tangible Capital Assets) and 1200 (Financial Statement Presentation) of the reporting handbook. This has been a major undertaking for the City and represents the largest change ever in municipal accounting. PSAB 3150 provides the requirement for recording tangible capital assets on the statement of financial position (i.e. balance sheet) and amortizing them over their useful lives. Tangible capital assets were previously recorded as capital expenditures upon acquisition and effectively expensed in the year of acquisition, ignoring the future service benefits provided by these assets. PSAB 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. The comparative figures for 2008 have been restated to comply with the new accounting standards. The impacts of these restatements are reflected in Note 2 to the Consolidated Financial Statements.

The City's financial statements are now prepared on a full accrual accounting basis, the same basis of accounting used by the federal and provincial governments. This is an important milestone in government accounting for local governments and has been ten years in the making. Compared to other government entities, tangible capital assets represent a large proportion of a municipality's assets and are an important part of its operating activities. In comparison, the net book value of the City's tangible capital assets is valued at approximately 85 per cent of those of the entire Province of Ontario.

In order to inventory and value the City's tangible capital assets, a significant amount of work was undertaken over the past three years by Accounting Services staff in collaboration with other City divisions, other municipalities and the City's external auditor. Reporting of these tangible capital assets provides information for accountability and stewardship and provides critical information on the City's significant investments in assets.

Consolidated Financial Statements

The Consolidated Financial Statements include the following individual statements:

Name	Purpose	New this Year re: PSAB 3150 & 1200
Consolidated Statement of Financial Position	Provides a summary of the City's financial assets and liabilities (the financial resources the City has available for future services and the future revenues required to pay for past transactions).	• Recognition of tangible capital assets. • Recognition of accumulated surplus, composed of amounts previously recorded in Municipal Position: Operating fund, Capital fund, Reserve and Reserve Funds, and Amounts to be recovered; as well as the net amount invested in tangible capital assets.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.	• This statement was previously named the Consolidated Statement of Financial Activities. • Capital expenditures are no longer shown as expenditures. Amortization of tangible capital assets is expensed. • Debenture financing is not shown as revenues and principal repayments are not shown as expenditures.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.	• This is a new statement that is unique to governments. • The statement focuses on the difference between financial assets and liabilities; the amount that must be financed.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.	• No significant change

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies, boards, commissions ("ABCs") and government business enterprises that the City effectively controls. There are 110 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of ABCs which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the consolidated financial statements.

In prior years, to aid readers in understanding the financial statements, schedules were prepared for current operations, capital operations, and reserves and reserve funds. With the recognition of tangible capital assets on the statement of financial position, a breakdown between current and capital is no longer provided in the consolidated financial statements.

This year a Glossary, which explains various terms used in the consolidated financial statements, has been included as part of this report.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This year, for the first time, this statement includes the net book value of the City's tangible capital assets. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net debt, which represents the net amount that must be financed from future budgets. Prior years' Consolidated Statements of Financial Position would have identified net debt as "Net Financial Liabilities".

In prior years the City's municipal position was shown in the Consolidated Statement of Financial Position detailed by fund balances and amounts to be recovered from future years. As these balances are now included in the "Accumulated Surplus", Note 18 to the Consolidated Financial Statements details the breakdown of the accumulated surplus, including all of its components: amount invested in capital assets; operating fund, capital fund, reserve and reserve fund balances; and amounts to be recovered from future revenues.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 10(a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which shows up in these consolidated financial statements for the first time this year. Although there is a large accumulated surplus, this occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2009 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts now recorded in these financial statements. Note 20 outlines the adjustments to the budget, particularly reduction of debt proceeds and payments, reduction of tangible capital asset purchases and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is new for 2009, and is unique to governments. Other senior levels of government have been preparing this statement for a number of years. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

Financial Condition

The most important measure of any government's financial condition is its net debt: calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's net debt as at December 31, 2009 increased by $292M to $3.8B (2008 - $3.5B). This increase in the City's net debt is primarily due to the amount of tangible assets purchased less the sum of the annual surplus and the amortization of capital assets. (See Consolidated Statement of Change in Net Debt).

The City's long-term debt (Notes 13 and 14) remained virtually unchanged in the year as debt principal repayments were almost equivalent to new debt issued.

In order to improve the City's net debt position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, creating new revenue sources, and working with the Province to continue and expand the upload of social service program costs.

While the debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on improving public transit, the City's updated Capital Plan inclusive of enhanced federal and provincial funding, combined with the recent approval of the long-term debt restructuring strategy, ensures a solid financing plan is in place for the next five years.

The positive effects of implementing these financial plans are reflected in the City's AA and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be paid from future revenues as included in Note 18 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2009, the total amount that will be recovered from future property taxes and other revenues grew by $110M to $6.6B. This increase mainly consists of:

- an increase of $80M in employee benefits liabilities;
- an increase of $13M in other (mainly property and liability claims provision);
- an increase of $33M in mortgage and long term debt;
- offset by a decrease of $16M in landfill closure and post-closure liability.

Table 1 outlines the trend in financial asset and liability growth over the last 5 years.

Table 1

Net Debt – 5 year Summary

(in thousands of dollars)

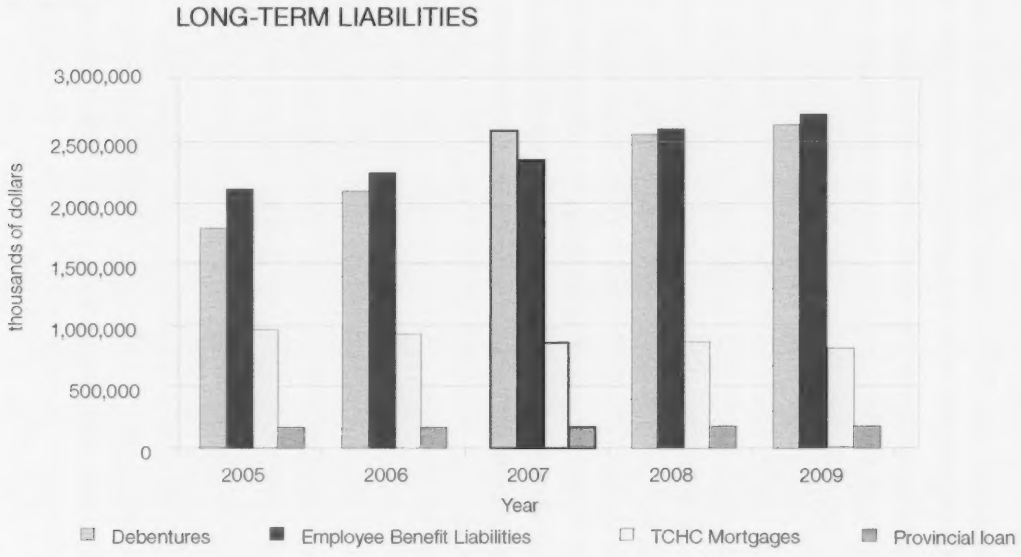
Net Debt	5 Year Average Annual Increase	2009	2008	2007	2006	2005
Liabilities	6.96%	10,558,086	10,647,259	9,631,062	8,451,699	8,067,913
Financial assets	4.19%	6,728,291	7,109,217	6,580,328	5,999,744	5,680,217
Net Debt	**12.54%**	**3,829,795**	**3,538,042**	**3,050,734**	**2,451,955**	**2,387,696**
Percentage Increase		**8.25%**	**15.97%**	**24.42%**	**2.69%**	

The City's net debt has increased by a compound annual rate of 12.54 per cent over the last four years, attributable to increases in long-term debt to third parties and in long-term employee benefit liabilities.

The significant growth in long-term debt has been driven mainly by the need to finance transit capital expenditures. The growth of employee benefit liabilities has been driven by an aging demographic (employees and retirees), increased utilization of the plan, increased cost of drugs and services and de-regulation of government sponsored benefits which are transferred to private benefit plans. Staff have attempted to contain the growth of this liability through collective bargaining and have made significant progress in eliminating the vested sick leave plan for Local 79 and Local 416 employees.

Chart A provides the breakdown of long-term liability growth by debt type.

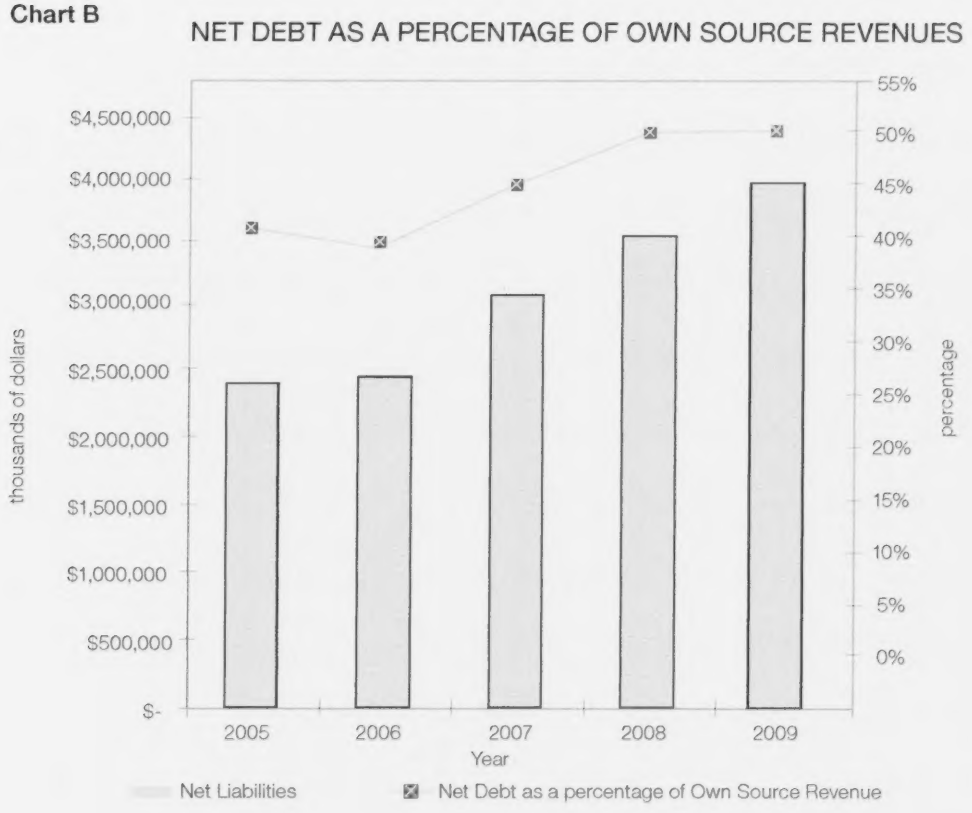
Chart A



Additional information on the mortgage liabilities of TCHC is provided in Note 13, additional information about the provincial loan and the City's debenture debt is provided in Note 14, while further detail about the City's employee benefit liabilities is provided in Note 15 of the Consolidated Financial Statements.

To put the City's net liability into a different context, Chart B expresses the net debt as a percentage of the City's own source revenues (excluding government transfers and earnings from investment in government business enterprises (GBE's). The net liability as a percentage of own source revenues has grown from 41.4 per cent to 51.7 per cent in the last five years.

Chart B

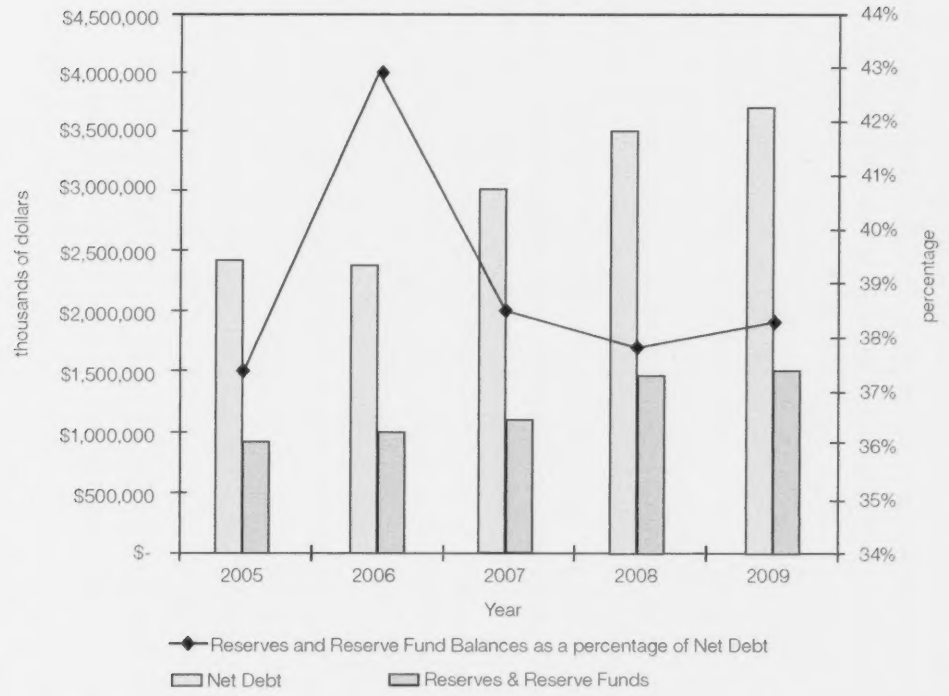


The City's net debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

For financial statement purposes, PSAB requires that obligatory reserve fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (see Note 10(a) of Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements are lower than those included in staff reports to the Budget Committee and Council which include obligatory reserve fund balances.

Chart C

DISCRETIONARY RESERVES AND RESERVE FUND BALANCES AS A PERCENTAGE OF NET DEBT



Note 18 of the Consolidated Financial Statements provides a breakdown of the City's reserves and reserve funds.

Analysis of Key Asset and Liability Accounts

Accounts Receivable

Accounts receivable balances increased $315.7M in 2009. The increase consists primarily of the following:

- higher receivable from Government of Canada for Federal Gas Tax ($40.7M) and for Canada Strategic Infrastructure Fund (CSIF) ($20.1M);
- higher receivable from Government of Ontario for the following:
  - TTC re: Transit City Project – Metrolinx ($33.3M);
  - Social Housing Renovation and Retrofit Program (SHRRP) ($54.3M);
  - Ministry of Transportation for Toronto York Spadina Subway Extension ($18.9M);
  - Ontario Bus Replacement program (OBRP) ($23.6M);
  - Provincial Offences Act/fines ($9.5M); and
  - Receivable from Ministry for Community and Social Services for Ontario Works program for October – December not settled as of December 2009, settled in 2010. ($26.1M).
- increase in receivable from York Region regarding their subway contribution payment for 2009 ($14.9M) offset by payment received for amount for 2008 ($10M);
- increase in Water fees receivable ($14.7M) due to the timing of the last uitility billing in 2009 being processed late in December and increase in Solid Waste receivables ($4M);
- other fees and charges are primarily higher due a vendor take back mortgage for 2 Bloor St. West ($35M), increase in provisions and other miscellaneous increases.

The breakdown of accounts receivable at December 31, 2009 with 2008 comparatives is as follow:

	(in thousands of dollars)	
Accounts Receivable	**2009**	**2008**
Government of Canada	245,362	182,150
Government of Ontario	249,617	74,441
Other municipal governments	20,940	16,299
School board	199	300
Utility fees	122,407	103,920
Other fees and charges	447,454	393,122
Total	**1,085,979**	**770,232**

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes. A breakdown of this receivable is noted below:

	(in thousands of dollars)	
Taxes Receivable	**2009**	**2008**
Current year	228,172	184,623
Prior year	34,455	26,622
Previous years	35,829	26,942
Interest/penalty	38,801	30,363
Less: allowance for doubtful accounts	(24,169)	(22,476)
Net receivables	**313,088**	**246,074**

Total year end taxes receivable increased by $67M mainly as a result of the following:

- The continued decline in economic conditions experienced in 2009 resulted in a $42.4M increase to the December 31, 2009 taxes receivable as compared to December 31, 2008. Staff are not concerned about this increase at this time as the amount is substantially secured by the underlying property value.
- Year end receivables which are due in future periods increased by $24.6M to $74M (2008: $49.4M). These receivables are mainly supplementary/omitted levies and other charges issued late in the year and due in the following year.

Other Assets

Other Assets increased by $52.4M to $161.1M (2008: $108.8M) due primarily to:

- TCHC advancing an additional $35.4M in 2009 to Dundas Parliament Development Corporation (DPDC) for the interim financing of their construction; and
- Build Toronto Holding One Inc., (BTHOI), a wholly owned subsidiary of Build Toronto, acquiring a loan of $26.9M from a financial intermediary with respect to a development in the Toronto Waterfront. The loan expires in 2018 and has an interest rate of 5.6 per cent with a balloon payment of $12.2M.

Investments

Investments decreased by $568M to $3.3B (2007: $3.8B) due primarily to use of Investing in Ontario Act funds ($238M) for transit related debt charges, and borrowing less than budgeted by $223M.

Details about the City's investment portfolios and their yields are provided in Note 5 to the Consolidated Financial Statements.

Note Receivable – Toronto Hydro Corporation

Note receivable decreased by $245M due to the $245M principal repayment by Toronto Hydro. The proceeds will be used in part for the debt restructuring strategy approved by Council on December 9, 2009 and adopted as part of the 2010-2019 Capital Budget and Plan to repay Sinking Fund debentures. Under the debt restructuring strategy, Council has approved the sale of the balance of the Toronto Hydro Promissory Note which was sold on April 1, 2010. (See Note 19 of the Consolidated Financial Statements).

Investment In Government Business Enterprises

With the implementation of reporting for Tangible Capital Assets, the City recorded the transfers of assets from Enwave as at 2004 and 2008, the dates the assets were put in use as part of the City's water system. These changes have been applied retroactively and prior periods have been restated. (See Note 2(b) of the Consolidated Financial Statements).

There has been a significant decrease in GBE earnings year over year due to lower earnings at Toronto Hydro Inc., as the prior year included a $118M gain on sale of Toronto Hydro Telecom.

Additional information regarding the City's remaining GBEs as at December 31, 2009 including 2009 transactions for all GBEs with the City as well as condensed financial results, are provided in Note 7 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable

The breakdown of accounts payable and accrued liabilities at December 31, 2009 with 2008 comparatives is as follows:

	(in thousands of dollars)	
Accounts Payable	**2009**	**2008**
Local Board trade payables	453,652	465,946
City trade payables and accruals	819,882	770,536
Payable to school boards	143,902	157,376
Provision for tax appeals & rebates	411,997	397,182
Credit balances on property tax accounts	63,889	65,692
Payroll liabilities	130,410	114,086
Total	**2,023,732**	**1,970,818**

Local board trade payables were lower in 2009 primarily due to decreases in Toronto Transit Commission (TTC) trade payables for $12M. City trade payables and accruals are higher due to increases in construction holdbacks ($21.2M), higher accruals at year end for Parks ($11M), Planning ($16M) and various other areas. The provision for tax assessment appeals increased by approximately $14.8M primarily as a result of unprocessed vacancy, charitable and heritage rebates. The decrease in credit balances on property tax accounts is due to refunds being issued throughout the year thus reducing the outstanding credit balance. Payroll liabilities were higher as an additional day's pay was accrued in 2009.

Deferred Revenue

Deferred Revenue decreased by $343M to $1.6B (2008: $1.9B) primarily as a result of:

- a decrease in obligatory reserve funds ($197.6M) for Public Transit and Water & Wastewater used for capital purchases;
- a decrease due to funds from Investing in Ontario Act ($238M) taken into income in 2009; and,
- an increase due to funds received from Provincial government for Ontario Bus Replacement Program (OBRP) $21.5M which remained unspent at the end of the year.

Other Liabilities

Other Liabilities increased by $27.3M to $384.5M (2008: $357.2M), mainly as a result of:

- an increase in the property and liability claims provision ($13.8M);
- increases in Toronto Transit Commission (TTC) in unsettled accident claims ($30.9M); and,
- decreases due to release of deposits held for Exhibition Place and National Trade Centre ($11.9M).

Net Long-Term Debt (excluding TCHC Mortgages)

Net long-term debt increased by $57M to $2.8B (2008: $2.7B) as follows: issuance of debt totalling $317M by the City, offset by net debt repayments for TCHC ($5M) and interest earned on sinking funds totalling $254M.

Employee Benefit Liabilities

During the year, a full valuation of employee liabilities was performed using updated assumptions. As a result of this valuation, the gross employee benefits liability (identified as "Total employee accrued benefit obligation" in Note 15 of the Consolidated Financial Statements) decreased by $368M to $2.5B (2008 - $2.8B). Accounting standards however, require that actuarial gains and losses are amortized over the remaining service lives of the employee group, and therefore the net liability recorded in these financial statements will not show the full impact of this improvement right away, but will show this over the next 13 years.

The net employee benefit liability actually increased by $80M to $2.7B (2008 - $2.6B), as the prior years' amortization of actuarial losses exceeds the amount of the gain reflected in 2009. The $80M increase is largely due to:

- decrease in the non-OMERS pension plan liabilities ($40M);
- decrease in sick leave benefits ($39M);
- increase in workers' compensation benefits ($24M);
- decrease in post-employment benefits ($313M); and
- change in unamortized actuarial losses to unamortized gain ($448M).

Additional information is provided in Note 15 of the Consolidated Financial Statements.

Tangible Capital Assets

Reporting on tangible capital assets was a major undertaking by the City of Toronto to comply with the PSAB Standards 1200 and 3150. This is the first time this reporting has been done. This required a high level of analysis and collaboration to inventory the different types of assets, analyze the segments, and prepare costings, which in many cases were not available due to the age of the assets, and unavailability of invoices or other support. In order to estimate the historical cost of assets where no cost records were available, various techniques were undertaken to estimate the replacement or reproduction cost of the asset, then discounted back to the purchase date using construction price indices.

Note 1 to the consolidated financial statements outlines the significant accounting policies providing an overview of the policy of recording tangible capital assets.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2009 with 2008 comparatives are presented in Note 16 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $1.8B, with the most significant portion being building and building improvements of $648M. This consists of $308M at the TCHC, $109M at the TTC, $38M at the BOG, and $192M at the City. The City's largest acquisition was the police training facility for $76M.

During the year amortization of tangible capital assets increased $274M to $1.1B (2008 - $797M). The majority of this increase, $248M represents the increase at the TTC, primarily as a result of increased amortization of vehicles.

Inventories and Prepaid Expenses

Inventories and prepaid expenses totalled $206M (2008: $167M). The increase was generated largely by increases in supplies for pandemic preparation and prepaid payments related to Ontario Works program.

Analysis Of Expenses And Revenues

Budgetary and Accounting Annual Surpluses

Municipalities plan and monitor their short-term financial performance in two different ways:

- budgets are prepared for each entity on a cash-requirements basis, with separate budgets for each fund; and
- financial statements are prepared for the consolidated organization on a full accrual basis.

Preparation and monitoring of cash-requirements budgets provides a clear measurement of cash raised and spent, and is an important annual financial control. During 2009 the City had a budgetary surplus of $359 million, which represents revenues in excess of expenditures in the City's operating fund.

The City also plans and monitors certain expenditures on a consolidated basis, and for the first time in 2009, adopted the new PSAB standards that recognize tangible capital assets in the consolidated statement of financial position. These full accrual values have influenced strategic, mid- to long-term plans, such as the City's management of employee benefits.

The full accrual consolidated annual surplus of $497 million differs from the operating fund annual surplus of $359 million as it:

- includes all entities rather than just the operating fund;
- capitalizes tangible capital assets;
- recognizes amortization of assets;
- does not recognize debt principal repayments; and
- records certain changes in the future employment benefits and landfill post-closure liabilities.

Consolidated Expenses

Gross consolidated expenses for 2009 totalled $9.9 billion (2008: $9.4 billion). The increase was generated largely by inflationary increases (wages, materials and contracted services), increased employee benefit liabilities, and increased interest charges on long-term debt.

Chart D EXPENDITURES BY OBJECT – CURRENT OPERATIONS

(in thousands of dollars)

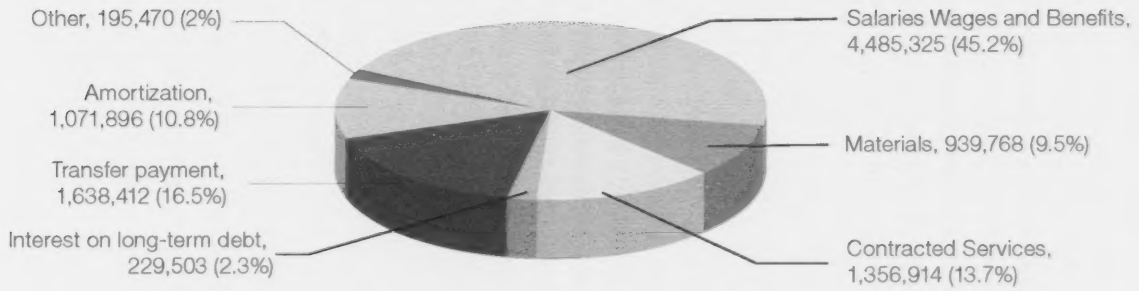

Other, 195,470 (2%)
Amortization, 1,071,896 (10.8%)
Transfer payment, 1,638,412 (16.5%)
Interest on long-term debt, 229,503 (2.3%)
Salaries Wages and Benefits, 4,485,325 (45.2%)
Materials, 939,768 (9.5%)
Contracted Services, 1,356,914 (13.7%)

Chart D breaks down the gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 45.2 per cent of the total amount. It should be noted that principal repayments on debt are not included as they are considered financing transactions for accounting purposes and are not considered expenses.

Note 21 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Table 2 provides a comparison of 2009 Consolidated Net Revenue by program versus budget, and a comparison with the previous year's actuals.

Table 2

Consolidated Net Revenue by Program

(in thousands of dollars)

	2009 Budget	2009 Actual	Difference	Change	2008 Actual Restated
Revenues					
Taxation	3,558,901	3,655,880	96,979	2.7%	3,469,974
Taxation from other governments	77,427	100,179	22,752	22.7%	80,710
User Charges	2,460,319	2,309,164	(151,155)	(6.5%)	2,108,423
Funding transfers from other governments	2,848,559	2,901,868	53,309	1.8%	2,731,174
Development Charges	129,950	83,144	(46,806)	(56.3%)	56,234
Investment Income	164,590	257,883	93,293	36.2%	240,738
Net Government Business Enterprise Earnings	-	108,657	108,657	100.0%	233,926
Other	1,203,745	997,716	(206,029)	(20.7%)	816,661
Total	**10,443,491**	**10,414,491**	**(29,000)**	**(0.3%)**	**9,737,840**
Expenses					
General Government	776,662	803,504	(26,842)	3.3%	794,328
Protection to persons and property	1,500,680	1,525,235	(24,555)	(1.6%)	1,466,272
Transportation	3,040,322	2,658,084	382,238	14.4%	2,578,243
Environmental services	979,527	873,675	105,852	12.1%	855,105
Health services	383,390	376,463	6,927	1.8%	375,904
Social and family services	2,023,056	1,946,444	76,612	3.9%	1,803,135
Social Housing	694,317	837,786	(143,469)	(17.1%)	651,022
Recreational and cultural services	801,144	769,109	32,035	4.2%	770,880
Planning and development	45,652	126,988	(81,336)	(64.1%)	144,655
Total	**10,244,750**	**9,917,288**	**327,462**	**3.3%**	**9,439,544**
NET REVENUE/ANNUAL SURPLUS	**198,741**	**497,203**			**298,296**

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these amendments are not reflected in the budget column shown in the Consolidated Financial Statements. The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets, as shown in Note 20.

Table 2 reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities. It indicates that the consolidated operations generated a surplus of $497M. The contributory factors are as follows:

- City operations contributed $33.4M towards the surplus due to prudent expense management as well as the implementation of cost saving strategies introduced in the fourth quarter which included hiring slowdown and expense constraints.
- Agencies, Boards and Commissions (ABCs) collectively reported a favourable net variance of $4.2M.
- Corporate Accounts contributed $317M due to considerable savings in expenses and higher than budgeted revenue as follows:
  - Prudent financial management including labour disruption, wage settlement savings, reduced assessment appeals-related tax reductions and higher investment earnings; ($178M).
  - At the same time, other tax and non-program revenue increases and expense decreases realized about $139M in budgetary savings.
- This was offset by increase in the PSAB accrual for adjustments for retirement and post employment benefits ($120M) and a decrease in legacy pension plan liabilities ($40.2M) due primarily to the rebound in the equity market. Both of these items are non-cash items that are not included in the City's budget.
- Principal Debt Repayments of $292M are budgeted as an expense but are accounted for on the financial statements as repayment of a liability.
- Tangible Capital Asset purchases of $1.9B are no longer treated as expenses but as asset purchases, while amortization of these assets of $1.1B is recorded in these consolidated financial statements as an expense.

Expenses

A breakdown of other contributing factors by function is as follows:

- The General Government spending was higher than budget primarily due to adjustments to the budget for debt repayments which were higher than actual repayments during the year. This was offset by the tax deficiencies/ assessment appeal being $53M under budget due to the fact that a large number of pending appeals for 2008 and prior years were closed by the Assessment Review Board (ARB) or withdrawn by the appellants; the Solid Waste Management Rebate program issued lower than expected rebates, resulting in saving of $29.6M; savings also resulted from Council's decision of adopting the amended compensation policy for management/non-union staff, ratifying the COLA increase for union staff, management of the labour disruption, other cost saving strategies.

- Actual costs for protection to persons and property (Police, Fire, Building Services and Conservation Authority levies and the Provincial Offences Act Courts) include increased cost in Fire for WSIB occupational illness claims ($3.8M) offset by under spending in salaries due to delayed hiring of a new class of recruits (39 vacancies – $2.6M), PSAB adjustments for employee benefits, and TCA adjustments.

- Transportation includes Roads/Traffic signals maintenance and Transit. Transportation services spending was lower than budget due primarily to savings in salaries and budgets arising from staff vacancies ($7.2M); under spending in winter maintenance service ($0.7M); utility cut repair activities ($3.4M); roadside cleaning and red light camera programs ($2.0M); and lower fleet fuel charges ($0.7M). These favourable variances were partially offset by increased expenses of $1.9M for de-icing salt arising from the winter conditions earlier in the year, as well as the increasing commodity price of salt. Toronto Transit Commission was under spent by $17.7M due to energy cost savings arising from lower than anticipated rates and reduction in accident claims expenses.

- Environmental services spending was lower than budget due primarily to vacant staff positions ($24.7M); lower cost for road repairs managed by Transportation Services; utility savings from efficiencies; overall slowdown in the economy affected the production of waste and resulted in lower than expected tonnage.

- Social and Family Services spending was lower than budget by $76.6M due to a higher proportion of single people compared to families in the social assistance caseload; average actual monthly caseload of 88,506 compared favourably to the budgeted caseload of 90,000; unanticipated one-time Provincial Cost of Administration (COA) funding of $3.0M; delayed hiring and general under spending partially offset by overspending in Ontario Disability Support Program (ODSP) due to an increasing ODSP caseload.

- Social Housing spending was higher than budget primarily due to additional spending at TCHC for the funds received from the Province for Social Housing Renovation and Retrofit Projects(SHRRP Funds) for $55M and higher than budgeted spending for provincial downloading $50M and adjustment to budget for debt repayments $39M.

- Recreational and cultural services spending was lower than budget due primarily to savings in salaries due to labour disruption and implementation of cost restraint measures.

- Planning and development spending was higher than budget due primarily to consolidation of Toronto Portlands Company (previously TEDCO), Build Toronto and Invest Toronto in total $26.5M; proportionate consolidation of Toronto Waterfront Revitalization Corporation (TWRC) $12.5M, and consolidation of Business Improvement Areas (BIAs) $18M.

Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2009, property taxes made up 40.97 per cent (2008 – 41.98 per cent) of the City's operating revenue.

Property taxes were higher than budget due to the following:

- Supplementary and omitted assessments received from MPAC generated revenues which exceeded expectations by $29.4M;
- Approximately $17.8M represent Business Improvement Area (BIA) levies which were approved by Council to fund operational expenditures in the same amount, resulting in a net zero overall budget;
- Municipal Land Transfer Tax (MLTT) revenue exceeded budget ($18.5M) due to higher than expected sales and registration of properties in 2009; and
- Personal Vehicle Tax (PVT) revenue exceeded budget ($5.4M) due to the catch-up provision experienced in 2009. These are amounts which were collected in 2009 for individuals who avoided PVT charges in 2008 by purchasing their stickers before September 2008 when the program began.

Taxation from other government (Payment in lieu of taxes) exceeded budget by $22.7M as follows:

- $6M as a result of lower than anticipated provision requirement for pending appeals and provision for outstanding PIL receivable;
- $12M for 2008 and prior years. Outstanding pending appeals closed by the ARB or withdrawn by the appellants, in addition to other reductions to the provision;
- $2.8M as a result of anticipated assessment reductions due to conversion of federally owned properties to taxable was not realized during 2009; and
- $0.5M as a result of a grant payment received by the University of Toronto.

User fees were under budget by $151.2M due to:

- Toronto Transit Commission ridership being slightly under budget coming in at a projected 471.2M riders versus a planned ridership of 473M, with 1.8M fewer rides compared to budget and a lower than anticipated average fare due to higher usage of Adult passes and increased usage of concession fares amounting in total to ($68.8M);
- Underachievement of revenues for community planning development applications ($2.9M), building licenses and permits ($10.8M), cat and dog licenses ($1.3M) due to economic conditions;
- Lower than projected revenue of $2.7M mainly from water sales revenue attributable to lower consumption throughout the summer months due to the cool wet weather;
- Lower than forecasted Red Light Camera (RLC) infraction revenue ($2.4M) due to forecast of 54,737 charges versus actual of 27,500;
- Drop in revenue for recreational programs ($8.4M) and golf course revenue ($4.2M) as a result of summer labour disruption; and
- Underachieved revenues from recovery of utility cut costs ($4M) due to drop in construction activities.

Funding Transfers from other governments were over budget by $53.3M primarily due to:

- Funding for Transit Capital was $209.4M over the original revenue budget of $57.9M approved by Council. The budget was revised during the year however the financial statements present the original approved budget. This was offset by lower subsidies for the following:
- Operating subsidy variance of $94.6M in Shelter, Support & Housing Administration due to:
  - lower subsidies of $98.3M in Affordable Housing Program as the related expenditures (100 per cent funded) were lower;
  - offset by higher Homelessness Partnership Initiative (HPI) funding of $1.3M as the related expenditures (100 per cent funded) were higher;
  - offset by $0.6M higher subsidy than budget for Let's Build Affordable Housing Program funding provided by the Province at 100 per cent to match the expenditures; and
  - offset by $1.7M higher subsidy in Hostels Services due to increase in hostels per-diem subsidies compared to budget (33,392 days over budget).
- Operating subsidy variance of $33.3M in Toronto Employment and Social Services (TESS) is mainly due to:
  - Actual eligible expenditures for Ontario Works (OW) Financial Assistance Program lower than budgeted expenditures of $42.2M, resulting in lower subsidy than budget by $31.8M ($42.2M at 80 per cent subsidy); and
  - Combined subsidies for OW Cost of Administration and other one-time programs were capped to the maximum approved amount per service agreement, and the actual contracted subsidies were lower by $1.3M than budget for year 2009.

- Operating subsidy variance of $6.2M in Long-Term Care Homes & Services is mainly due to lower than budgeted actual subsidies earned for City operated homes, Homemakers and Nursing Services, Supportive housing and Community support programs run by the division.
- Lower than budget provincial grant revenue of $2.5M from Ministry of Health and Long Term Care (MOHLTC) mainly in the Central Ambulance Communication Centre (CACC); and lower subsidies in Children Services ($1.6M) and Social Development, Finance & Administration ($2M).

Development Charges revenues applied to capital spending were under budget by $46.8M due to underspending on capital projects attributable to the inability to find and secure suitable sites, delays in construction start-up and deferral of work, and the impact of labour disruption. As an obligatory reserve, development charges are recognized as the funds are spent for the intended purposes.

Investment earnings were higher than budget by $93.3M due to higher than forecasted rate of return and lower interest allocated to Reserve Funds as per policy.

Other Revenues were lower than budget by $206M primarily due to:

- Lower than budgeted recoveries and contribution for capital expenditures ($140M);
- Actual transfers of $7.5M from the National Child Benefit Supplement Reserve Fund to operating were $18.5 million less than budgeted;
- Actual transfers from the Social Housing Federal Reserve Fund to operating were $21M less than budgeted;
- Budget overestimated for Facilities' revenues for permanent property rents ($7.5M);
- Solid Waste: lower recyclable tonnage and lower market prices for City's recyclable commodities due to the recession in 2009 ($13.4M); and
- Lower other recoveries ($12.8M).

The five year summary of revenues outlined in Table 3 demonstrates that property taxes continue to be the slowest growing revenue source for the City. During this period, assessment growth has been relatively low. In addition, the City has been limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base on the same basis as the residential base. The commercial, industrial and multi-residential property classes represent approximately 56.7 per cent of the City's tax revenue base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases. Council's approval of the Municipal Land Transfer and Personal Vehicle Ownership taxes in October of 2007, both of which were implemented in 2008, are examples of the action taken by the City to diversify its revenue sources to address this issue.

Table 3

Consolidated Revenues – 5 year Summary

(in thousands of dollars)

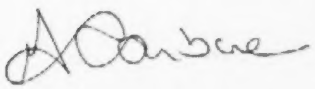
Revenues	Avg. Annual Increase	2009	2008	2007	2006	2005
Property taxes	3.38%	3,520,450	3,369,949	3,285,947	3,187,263	3,082,009
Municipal land transfer tax (MLTT)	n/a	183,892	165,743	-	-	-
Personal vehicle Tax (PVT)	n/a	51,717	14,992	-	-	-
User charges	6.93%	2,309,164	2,108,423	1,966,890	1,856,407	1,766,557
Government transfers	9.52%	2,901,868	2,731,174	1,952,047	2,254,726	1,831,399
Other	13.16%	1,447,400	1,347,559	1,655,652	1,236,089	1,045,713
Total	**7.75%**	**10,414,491**	**9,737,840**	**8,860,536**	**8,534,485**	**7,725,678**
Percentage Increase		6.95%	9.90%	3.82%	10.47%	

Risks and Mitigates

The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include: lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit including building and expanding the transit system to meet the City's strategic goals and accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding.

In 2009, the City made significant progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix A lists eight (8) specific financial issues/risks and the actions taken in 2009 to address them.

Highlights include: negotiating a new Illness or Injury Plan with TCEU Local 416 and CUPE Local 79, full funding of significant components of the Transit City initiative, and agreement from the Province to fully fund their 50 per cent share of Ontario Works administration costs.



Giuliana Carbone
Treasurer

Toronto, Canada
May 15, 2010

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issue/Risk	Actions taken in 2009	Actions Planned for 2010 & Beyond
City has a higher cost structure than other municipalities in the GTA	• Continuous improvement initiatives and programs continued, to ensure appropriate use of resources. • City Council continued to adopt strict budget increase guidelines for City divisions and ABCs. • Cost containment measures remained in place. • Continued to develop the new Financial Planning, Analysis and Reporting System, approved by Council in 2007 for implementation (of Interim Plan) in 2011 for the 2012 budget process. The new system sets the foundation for multi-year performance/service-oriented operating budgets. The system will: o track and report performance measures and service level indicators; o align complement management and complement planning processes; o assess cost performance efficiency; o enable better alignment of the City's limited resources to Council priorities; o provide flexibility to incorporate and track long-term service planning initiatives; o establish the framework to balance service levels and priorities with affordability. • Negotiated a new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 which resulted in all employees hired after July 31, 2009, not being provided with a sick pay plan. In addition, existing employees had a one-time option to switch to the new IIP plan. As a result, 40% of employees switched to the new IIP plan resulting in a net reduction in current and future sick leave liability of $174.1 million.	• Maintain continuous improvement initiatives including efficiency reviews, and enhanced performance measures and benchmarking. • Continue to implement Program Reviews. • Continue to develop and implement the new Financial Planning, Analysis and Reporting System to improve budget analysis and program rationalization. • Apply aggressive budget reduction targets for 2010 and 2011. The City's goal is to reduce its budget by 10% or $340 million over 2 years. Strategies to achieve reduction targets include efficiency measures, revenue strategies, service changes and service rationalization. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities. In 2010, expand benchmarking efforts to Calgary, Winnipeg and other world cities. Continue to identify additional benchmarking opportunities.
Demands for growth as laid out in the Official Plan or other Sectoral and Program plans are not adequately funded	• Move Ontario Trust was established in March 2006 for the purpose of holding, investing and disbursing funds to the Toronto York Spadina Subway Expansion project. A total investment of $870 million from the provincial government plus $75 million from the federal government has increased to approximately $1 billion at the end of 2008. These funds are not included in the City's Financial Statements as they are held in a separate Trust Fund. • April 1, 2009 the Province of Ontario announced full funding for 3 significant components of the Transit City plan: the $4.6B Eglinton line from Kennedy Station to Pearson airport; the $1.2B Finch West line from Humber College to Don Mills Subway station; and the $1.4B Scarborough RT rehabilitation and extension. Although the timelines have been extended as part of the 2010 Ontario Budget, the Provincial commitment to these projects remains.	• Continue to estimate the costs related to growth plans. • Continue to urge the Federal Government to: o establish a permanent, federally funded National Transit Strategy o deliver a national action plan on housing and homelessness – National Housing Strategy o share the equivalent value of 1 cent of the GST with municipal governments.

Issue/Risk	Actions taken in 2009	Actions Planned for 2010 & Beyond
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• In 2007, the Province (through the Provincial Municipal Fiscal and Service Delivery Review – PMFSDR) agreed to fully fund the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program. ODB upload was completed in 2008 and the ODSP will be completed in 2011. Additionally, the Province agreed to: upload the cost of Ontario Works and Court Security by 2018; and, fully fund their 50% share of Ontario Work (OW) Cost of Administration (COA) starting in 2010.	•Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services. The upload of: ODB was completed in 2008; OSDP will be completed in 2011; OW benefit costs begins in 2010 & will be completed by 2018; OW COA starts in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues.
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the tax ratios for businesses (i.e. commercial and industrial) and multi-residential properties to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). Since the program took effect, the estimated benefit to businesses is approximately $250 million.	• Based on tax ratios adopted by City Council in 2009 and 2010, the City has accelerated its move to lower tax ratios for business and multi-residential properties. If continued, this trend will result in the City reaching its tax reduction targets of 2.5 times the residential rate 2-3 years earlier – 2013 for small businesses instead of 2015, and 2017 instead of 2020 for the rest of commercial, industrial and multi-residential properties.
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of Gas Tax ($320 million per year); Transit City ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from $58 million to $238 per year.	• Update the Long Term Fiscal Plan in 2010 • Conclude a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding by December 2010. • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions, such as a share of sales tax revenues that grow with the economy, a National Housing Strategy and a National Transit strategy.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	• Received provincial commitment to fund their share of administration costs of Ontario Works.	• Continue to lobby for the Province to honour its cost sharing formulae. • Continue to highlight costs and requirements in areas of joint responsibility, such as social housing and transit.
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to invest funds in State of Good Repair Reserve Fund. • Completed the data gathering for tangible capital assets, for recording in the 2009 consolidated financial statements.	• Approval of firm 10-year Capital Plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Complete the Capital Asset Accounting Project. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments.
Employee benefits and other long-term liabilities are not adequately funded	• The City completed full actuarial reviews of its employee benefit plans. • The City negotiated an Illness and Injury (IIP) Plan and provided existing employees the one time option of switching to this plan and stopped the Sick Pay Plan for employees hired after July 31, 2009.	• Further implementation of approved strategies to reduce employee benefit liabilities. • Further implementation of cost containment and employee education strategies consistent with recommendations made by the Mayor's Fiscal Review Panel and the Auditor General's Office.

Photographer: **Neil Ta**

09 CONSOLIDATED FINANCIAL STATEMENTS CITY OF TORONTO

MANAGEMENT'S REPORT

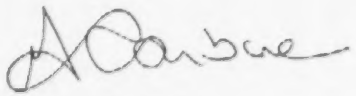
The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

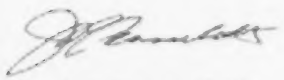
The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

The 2009 consolidated financial statements have been audited by the City of Toronto's external auditors, Ernst & Young LLP, and their report precedes the consolidated financial statements.



Giuliana Carbone
Treasurer

Cam Weldon
Deputy City Manager & Chief Financial Officer



Joseph P. Pennachetti
City Manager

Toronto, Canada
May 15, 2010

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the City of Toronto

We have audited the consolidated statement of financial position of the **City of Toronto** ("City") as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
June 2, 2010

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2009

(with comparative figures as at December 31, 2008)
(all dollar amounts in thousands of dollars)

	2009	2008 (restated Note 2)
FINANCIAL ASSETS		
Cash	198,452	231,213
Accounts receivable (Note 3)	1,085,979	770,232
Property taxes receivable	313,088	246,074
Other assets (Note 4)	161,144	108,763
Investments (Note 5)	3,250,893	3,819,159
Note receivable – Toronto Hydro Corporation (Notes 6 and 19)	490,115	735,175
Due from Toronto District School Board (Note 14)	37,837	41,772
Investments in government business enterprises (Note 7)	1,190,783	1,156,829
Total financial assets	**6,728,291**	**7,109,217**
LIABILITIES		
Bank indebtedness (Note 8)	142,235	60,860
Accounts payable and accrued liabilities (Note 9)	2,023,732	1,970,818
Deferred revenue (Note 10)	1,576,045	1,919,145
Other liabilities (Notes 11)	384,506	357,249
Landfill closure and post-closure liabilities (Note 12)	123,343	139,341
Mortgages payable (Note 13)	840,627	869,402
Net long-term debt (Note 14)	2,798,585	2,741,227
Employee benefit liabilities (Note 15)	2,669,013	2,589,217
Total liabilities	**10,558,086**	**10,647,259**
NET DEBT	**(3,829,795)**	**(3,538,042)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 16, Schedule 1)	18,388,907	17,639,943
Inventories and prepaid expenses	206,499	166,507
	18,595,406	17,806,450
ACCUMULATED SURPLUS (Note 18)	**14,765,611**	**14,268,408**

Commitments, contingencies and subsequent events (Notes 17 and 19)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2009

(with comparative figures for the year ended December 31, 2008)
(all dollar amounts in thousands of dollars)

	2009 BUDGET (Note 20) (unaudited)	2009 ACTUALS	2008 ACTUALS (restated Note 2)
REVENUE			
Taxation	3,558,901	3,655,880	3,469,974
Taxation from other governments	77,427	100,179	80,710
User charges	2,460,319	2,309,164	2,108,423
Funding transfers from other governments	2,848,559	2,901,868	2,731,174
Development charges	129,950	83,144	56,234
Investment income	164,590	257,883	240,738
Government business enterprise income (Note 7)	-	108,657	233,926
Other	1,203,745	997,716	816,661
Total revenue	**10,443,491**	**10,414,491**	**9,737,840**
EXPENSES			
General government	776,662	803,504	794,328
Protection to persons and property	1,500,680	1,525,235	1,466,272
Transportation	3,040,322	2,658,084	2,578,243
Environmental services	979,527	873,675	855,105
Health services	383,390	376,463	375,904
Social and family services	2,023,056	1,946,444	1,803,135
Social housing	694,317	837,786	651,022
Recreation and cultural services	801,144	769,109	770,880
Planning and development	45,652	126,988	144,655
Total expenses (Note 21)	**10,244,750**	**9,917,288**	**9,439,544**
ANNUAL SURPLUS	**198,741**	**497,203**	**298,296**
ACCUMULATED SURPLUS – BEGINNING OF YEAR	**1,354,397**	**14,268,408**	**13,970,112**
ACCUMULATED SURPLUS – END OF YEAR (Note 18)	**1,553,138**	**14,765,611**	**14,268,408**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
for the year ended December 31, 2009

(with comparative figures for the year ended December 31, 2008)
(all dollar amounts in thousands of dollars)

	2009	2008 (restated Note 2)
Annual Surplus	**497,203**	**298,296**
Acquisition of tangible capital assets	(1,854,045)	(1,551,296)
Amortization of tangible capital assets	1,071,896	797,281
Gain on disposal of tangible capital assets	(15,307)	(1,039)
Proceeds on disposal of tangible capital assets	48,492	13,080
Change due to tangible capital assets	**(748,964)**	**(741,974)**
Change in inventories and prepaid expenses	**(39,992)**	**(7,043)**
Increase in net debt	(291,753)	(450,721)
NET DEBT – BEGINNING OF YEAR	(3,538,042)	(3,087,321)
NET DEBT – END OF YEAR	**(3,829,795)**	**(3,538,042)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2009

(with comparative figures for the year ended December 31, 2008) (all dollar amounts in thousands of dollars)

	2009	2008 (restated Note 2)
OPERATING ACTIVITIES		
Annual surplus	497,203	298,296
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(108,657)	(233,926)
Amortization of tangible capital assets	1,071,896	797,281
Gain on disposal of tangible capital assets	(15,307)	(1,039)
	1,445,135	860,612
Change in non-cash assets and liabilities related to operations:		
Increase in accounts receivable	(315,747)	(104,278)
Increase in property taxes receivable	(67,014)	(25,702)
Increase in accounts payable and accrued liabilities	52,914	24,510
Increase (decrease) in deferred revenue	(343,100)	683,663
Increase in other liabilities	27,257	94,978
Increase in inventories and prepaid expenses	(39,992)	(7,043)
Increase (decrease) in landfill closure and post-closure liabilities	(15,998)	10,978
Increase in employee benefit liabilities	79,796	187,907
Cash provided by operating activities	**823,251**	**1,725,625**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,854,045)	(1,551,296)
Proceeds on disposal of tangible capital assets	48,492	13,080
Cash applied to capital activities	**(1,805,553)**	**(1,538,216)**
INVESTING ACTIVITIES		
Increase in other assets	(52,381)	(52,667)
Redemption (purchase) of investments, net	568,266	(240,633)
Proceeds on repayment of note receivable – Toronto Hydro Corporation	245,060	-
Proceeds on repayment of due from Toronto District School Board	3,935	4,231
Dividends and distributions from government business enterprises	74,703	182,763
Cash provided by investing activities	**839,583**	**(106,306)**
FINANCING ACTIVITIES		
Increase in bank indebtedness	81,375	60,860
Proceeds from mortgages issued	-	6,927
Principal repayments on mortgages payable	(28,775)	(36,673)
Proceeds from long-term debt issued	402,504	301,896
Principal repayments on long-term debt	(298,062)	(282,004)
Interest earned on sinking funds	(43,149)	(32,614)
Principal repayments on debt by Toronto District School Board	(3,935)	(4,231)
Cash provided by financing activities	**109,958**	**14,161**
Net increase (decrease) in cash during the year	(32,761)	95,264
CASH – BEGINNING OF YEAR	231,213	135,949
CASH – END OF YEAR	**198,452**	**231,213**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	221,377	226,049
Cash received for interest on investments	252,059	239,757

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Heritage Toronto
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC" previously "TEDCO") after November 13, 2008
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3[rd] proportionately)
- Yonge-Dundas Square
- Build Toronto Inc. (Incorporated November 13, 2008)
- Invest Toronto Inc. (Incorporated November 13, 2008)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Annex-Dupont
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dundas West
- Dovercourt Village
- Downtown Yonge
- Eglinton Hill
- Emery Village
- Fairbank Village
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Knob Hill Plaza
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Eglinton Way
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- Weston Village
- West Queen West
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- TEDCO (prior to November 14, 2008)
- Toronto Hydro Corporation
- Toronto Parking Authority

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately on the Trust Fund Statement of Continuity and the Trust Fund Balance Sheet (Note 23).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the form of the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50 per cent of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive up to four supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5 per cent of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax and the Personal Vehicle Tax. These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: either registration of the sale of land or renewal of the personal vehicle license.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected and recognized in revenue on the date an above grade building permit is issued.

Other revenue

Other revenues are recognized in the fiscal year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expenses occur and there is a legal obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the *City of Toronto Act, 2006* and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the TTC. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the related expenses are incurred or services are performed.

Derivative financial instruments

A derivative financial instrument is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the consolidated statement of operations and accumulated surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations and accumulated surplus.

Employee benefit liabilities

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 - 70 years
Buildings and building improvements	25 - 100 years
Machinery and equipment	4 - 60 years
Motor Vehicles	6 - 20 years
Water and wastewater linear	60 - 100 years
Roads linear	25 - 70 years
Transit	10 - 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Restatement of Prior Period Consolidated Financial Statements

a) Change in accounting policies:

Effective January 1, 2009, the City has adopted PSAB Sections 3150 and 1200. PSAB 3150 provides the requirement for recording and amortizing tangible capital assets, while PSAB 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Tangible capital assets were previously recorded as capital expenditures upon acquisition.

The financial information recorded includes the actual or estimated historical cost of the City's tangible capital assets. Historical costs and acquisition dates, however, were not available for all assets as at January 1, 2008, therefore estimates were required in certain cases. Where acquisition dates were not available, these dates were estimated based on available information, which included the acquisition dates of contiguous assets, the date the surrounding areas were established or other relevant information. Where historical costs were not available, a consistent method of estimating the replacement or reproduction cost of the tangible capital assets was applied by asset and asset class, including appraisals, reviews of historical reports or other methods, where appropriate.

After defining replacement or reproduction cost, appropriate indices, (Non-Residential Building Construction Price Index for constructed assets and Consumer Price Index Toronto for purchased assets) were used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition. Accumulated amortization was then calculated based on the used portion of the assets' useful lives.

b) Change to investment in government business enterprises:

In 2004 Enwave constructed certain assets that connect into the City's water systems, which were to be transferred to the City upon commissioning of the assets. Enwave also constructed a water pump in 2008. The City has recorded the assets as at 2004 and 2008, the dates the assets were put in use as part of the City's water system. As Enwave has recorded these assets in their records through 2009, the City has reduced its investment in Enwave by $36,708 as at December 31, 2008 (2007 - $36,585) to reflect the City's portion of the unamortized tangible capital assets.

Impacts of the changes

These changes have been applied retroactively and prior periods have been restated.
Tangible capital assets with a cost of $26,260,359, accumulated amortization of $9,362,392, and net book value of $16,897,967 were recognized as at January 1, 2008, and investments in government business enterprises was reduced by $36,585, with an increase to accumulated surplus of $16,861,382.

Net expenses in 2008 were amended as follows:
i) decreased by the cost of acquired assets of $1,551,296, (which were previously expensed);
ii) increased by the cost of amortization of $797,281;
iii) increased by the proceeds on disposal of assets of $13,080;
iv) decreased by the gain on disposal of assets of $1,039; and
v) increased by the reduction in investments for Enwave of $121, for a net increase in annual surplus and a net increase in the accumulated surplus of $741,853.

Previously, the Municipal Position consisted of the following separate components: Operating fund, Capital fund, Reserves and reserve funds, and Amounts to be recovered. All of these amounts are included in the accumulated surplus. These details are now shown in note 18.

Consolidated Statement of Financial Position

	2008 (as reported)	2008 (as restated)	Change
	$	$	$
Investment in government business enterprises	1,193,537	1,156,829	(36,708)
Tangible capital assets, net	-	17,639,943	17,639,943
Accumulated surplus	-	(14,268,408)	(14,268,408)
Total municipal position	3,334,827	-	(3,334,827)
	4,528,364	4,528,364	-

Consolidated Statement of Operations

	2008 (as reported)	2008 (as restated)	Change
	$	$	$
Total revenues, excluding the items below:	6,483,837	5,956,079	(527,758)
Funding transfers from other governments	2,222,619	2,731,174	508,555
Government business enterprise income	234,047	233,926	(121)
Other	572,202	816,661	244,459
Total revenues	**9,512,705**	**9,737,840**	**225,135**
General government	766,194	794,329	(28,135)
Protection to persons and property	1,527,398	1,466,272	61,126
Transportation	2,685,230	2,578,243	106,987
Environmental services	976,355	855,105	121,250
Health services	377,143	375,904	1,239
Social and family services	1,810,217	1,803,134	7,083
Social housing	792,786	651,022	141,764
Recreation and cultural services	841,519	770,880	70,639
Planning and development	186,463	144,655	41,808
Total expenses	**9,963,305**	**9,439,544**	**523,761**
Excess (deficiency) of revenues over expenses	**(450,600)**	**298,296**	**748,896**
Increase in non-financial assets	**7,043**	**-**	**(7,043)**
Annual surplus (deficit)	**(443,557)**	**298,296**	**741,853**
Accumulated surplus (deficit), beginning of year	**(2,891,270)**	**13,970,112**	**16,861,382**
Accumulated surplus (deficit), end of year	**(3,334,827)**	**14,268,408**	**17,603,235**

3. Accounts Receivable

Accounts receivable consist of the following:

	2009	2008
	$	$
Government of Canada	245,362	182,150
Government of Ontario	249,617	74,441
Other municipal governments	20,940	16,299
School Boards	199	300
Utility fees	122,407	103,920
Other fees and charges	447,454	393,122
	1,085,979	**770,232**

4. Other Assets

Other assets consist of the following:

	2009	2008
	$	$
Loans receivable from Dundas and Parliament Development Corporation ("DPDC"), advanced under five separate non-revolving term facilities, which will not be extended beyond the third anniversary of the initial drawdown of each facility unless a one-year extension at the option of DPDC is consented to by TCHC. These loans bear interest at the bank's prime rate plus 0.28%, with an effective rate of 2.53% (2008 - 3.78%) per annum.	59,554	24,185
Loan receivable from a developer to advance funds for the interim financing of the development in Don Mount Court, due at the earliest of completion or two years after the first advance, bearing interest at the bank's prime rate plus 0.50%, with an effective rate of 2.75% (2008 – 4%) per annum.	10,736	7,302
Loan receivable bearing interest at 5.6% per annum, maturing in 2017 with a balloon payment of $12,200	26,922	-
Loans receivable from community housing organizations bearing interest at rates from 0% to 5.0% (2008 – 0% to 5%) per annum, maturing from 2010 to 2059.	43,387	44,856
Other	20,545	32,420
	161,144	**108,763**

5. Investments

Investments consist of the following:

	2009		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	668,637	681,669	668,637
Provincial government bonds	1,280,923	1,328,268	1,280,923
Municipal government bonds	563,408	582,190	563,408
Money market instruments	15,742	15,742	15,742
Corporate bonds	497,239	508,101	497,239
Other	227,419	259,226	224,944
	3,253,368	**3,375,196**	**3,250,893**

	2008		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	750,499	815,295	750,499
Provincial government bonds	1,093,143	1,140,870	1,093,143
Municipal government bonds	520,338	545,367	520,338
Money market instruments	663,158	663,158	663,158
Corporate bonds	435,132	444,025	435,132
Other	396,670	356,036	356,889
	3,858,940	**3,964,751**	**3,819,159**

Municipal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $61,202 (2008 - $50,908).
The weighted average yield on the cost of the bond investment portfolio during the year was 4.42 per cent (2008 – 4.62%). Maturity dates on investments in the portfolio range from 2010 to 2038 (2008 - 2009 to 2037). Included in the City's investment portfolio are City of Toronto debentures at coupon rates varying from 3.95% to 8.65% (2008 – 3.65% to 8.65%) with a carrying value of $219,033 (2008 - $241,200).

Other investments consist of the following:

	2009		
	Cost	Market value	Carrying value
	$	$	$
City investments	40,964	59,307	40,964
TCHC			
– Pooled investments	149,969	163,813	149,969
– Cash management funds	2,117	2,117	2,117
– Term deposits and other	21,234	21,234	21,234
TAF	13,135	12,755	10,660
	227,419	**259,226**	**224,944**

	2008		
	Cost	Market value	Carrying value
	$	$	$
City investments	42,349	41,468	42,349
TCHC			
– Pooled investments	180,090	143,119	143,119
– Cash management funds	118,187	118,187	118,187
– Term deposits and other	41,222	41,222	41,222
TAF	14,770	11,988	11,960
Other	52	52	52
	396,670	**356,036**	**356,889**

6. Note Receivable – Toronto Hydro Corporation

The note receivable from Toronto Hydro Corporation bears interest at a rate of 6.11% (2008 – 6.11%) per annum. Toronto Hydro Corporation made a principal payment of $245,060 in 2009 and is required to pay the remaining principal amount of the note as follows: $245,058 on the last business day before December 31, 2011 and $245,057 on May 6, 2013. Interest is calculated and payable quarterly in arrears on the last business day of March, June, September and December of each year. This receivable was sold April 1, 2010, as disclosed in Note 19, Subsequent Events.

7. Investments in Government Business Enterprises

Government business enterprises consist of 100% interest in Toronto Hydro Corporation, Toronto Parking Authority, and an approximate 43% interest in Enwave. Details of the continuity of the book value of these investments are as follows:

	2009	2008
	$	$
Balance – beginning of year	1,156,829	1,105,666
Income from operations (Appendix 1)	108,061	234,047
Dividends received (Appendix 1)	(25,170)	(116,416)
Distribution to City (Appendix 1)	(55,888)	(72,702)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	6,355	6,355
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	596	(121)
Balance – end of year (Appendix 1)	1,190,783	1,156,829

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation and Toronto Parking Authority, October 31 for Enwave, and for the period ended November 13, 2008 for TEDCO. As at November 14, 2008, TEDCO no longer qualified for government business enterprise status, as the scope and scale of TEDCO's operations were reduced, with certain portions of the business transferred to other organizations.

Related party transactions between the City and its government business enterprises are as follows:

	2009	2008
	$	$
Received by the City: These amounts are included in expenses of the appropriate government business enterprise in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Interest on note receivable from Toronto Hydro Corporation (Note 6)	44,919	44,919
Purchased by the City: This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	130,642	117,485

8. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2008 - $100,000) bearing interest at the bank's prime rate less 0.5% (2008 - bank's prime rate less 0.5%) with an effective rate during 2009 of 2.44% (2008 – 4.82%) per annum. During 2010 the unsecured demand revolving credit facility was temporarily increased to $150,000 from February 9, 2010 through March 1, 2010, and then reverted back to $100,000.

TCHC has a committed revolving credit facility of $200,000 (2008 - $200,000) that is available for short-term advances and letters of credit, of which $78,860 (2008 - $60,860) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on May 8, 2010. The interest charges are at the BA rate plus 1.10% for an effective rate of 2.74% (2008 - 3.75%) per annum. As at December 31, 2009, TCHC also has outstanding letters of credit of $8,579 (2008 - $6,670).

Build Toronto Inc. has entered into a bridge loan of $30,000, collateralized by properties with a carrying value in excess of $30,000. The loan bears interest at the bank's prime rate of 2.25% at December 31, 2009 and expires May 31, 2010.

Bank indebtedness consists of the following:

	2009	2008
	$	$
City, net outstanding cheques	33,375	-
TCHC	78,860	60,860
Build Toronto Inc.	30,000	-
	142,235	60,860

9. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2009	2008
	$	$
Trade payables and accruals	1,273,534	1,236,482
School boards	143,902	157,376
Provision for assessment appeals on property taxes paid	411,997	397,182
Credit balances on property tax accounts	63,889	65,692
Payroll	130,410	114,086
	2,023,732	1,970,818

10. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2009	2008
	$	$
Restricted by Provincial legislation		
Development Charges	248,943	277,003
Recreational Land (Planning Act)	179,419	170,505
Subdividers' Deposits	13,676	13,811
Building Code Act Service Improvement	10,675	10,894
Provincial Gas Tax	711	-
	453,424	472,213
Restricted by other agreements		
Public Transit Funds	550,981	614,080
Water and Wastewater	67,351	214,841
Community Services	61,693	54,118
Third Party Agreements	21,556	15,687
State of Good Repair	26,854	9,116
Parking Authority	1,687	1,088
	730,122	908,930
Total obligatory reserve funds	**1,183,546**	**1,381,143**

(b) **Advanced payments and contributions**

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2009	2008
	$	$
Community Services	59,324	51,551
Planning Act	15,419	27,629
Section 37/45	2,571	8,358
Long-Term Care – Public Health and Housing	8,357	4,323
Police	17,194	7,735
Parks	3,935	7,437
Investing in Ontario Act	-	238,183
Ontario Bus Replacement Program	45,108	23,579
Infrastructure Stimulus Funds	13,716	-
Other	98,806	39,579
Agencies, Boards and Community Centres	128,069	129,628
Total advance payments and contributions	**392,499**	**538,002**
(c) Total Deferred Revenue (10 (a) and 10 (b))	**1,576,045**	**1,919,145**

11. Other Liabilities

Other liabilities consist of the following:

	2009	2008
	$	$
Property and liability claims provision (Note 17b)	155,421	141,667
TTC unsettled accident claims (Note 17b)	125,694	94,804
TPLC – environmental liabilities (Note 17j)	47,625	47,791
TTC – environmental liabilities (Note 17i)	6,485	6,540
Miscellaneous	49,281	66,447
	384,506	357,249

12. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2008 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2009 is $2,129 (2008 - $1,753), based on the percentage of total approved capacity used of 24.84% (2008 – 23.11%).

Inactive Sites

The City has identified 161 (2008 – 161) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17k).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2008 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2009 was $121,214 (2008 – $137,588).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2009 was $31,322 (2008 - $32,804) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2009 was $7,409 (2008 - $7,395) (Note 23).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2009 was $909 (2008 – $1,341) and the balance in the Green Lane Perpetual Care account as at December 31, 2009 was $655 (2008 – $435). Total contributions to the Green Lane Perpetual Care account of $218 (2008 – $271) were based on a contribution rate of 70¢ (2008 – 70¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

The total landfill closure and post-closure liabilities are as follows:

	2009	2008
	$	$
Active landfill site (Green Lane)	2,129	1,753
Inactive landfill sites	121,214	137,588
	123,343	**139,341**

Landfill closure and post-closure costs totaling $3,052 (2008 - $5,322) were expensed during the year.

13. Mortgages Payable

Mortgages payable are as follows:

	2009	2008
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.86% to 13.27% (2008 – 2.86% to 13.27%) per annum, with maturities ranging from 2010 to 2043, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,469,000 (2008 - $1,415,000)	**840,627**	**869,402**

Principal repayments are due as follows:

	$
2010	36,637
2011	38,526
2012	40,538
2013	42,820
2014	45,250
Thereafter	636,856
	840,627

14. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the consolidated statement of financial position comprises the following:

	2009	2008
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 1.56% to 8.65% (2008 – 2.51% to 8.65%) per annum, maturing from 2010 to 2029.	3,300,318	2,983,525
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.11% (2008 – 4.51% to 5.11%) per annum, maturing from 2010 to 2037. Included in this debt is a non-revolving term loan of $45,424 bearing interest at the 30-day BA rate plus 0.2% for an effective rate of 0.5% (2008 – 1.7%) per annum and maturing in 2018. TCHC has entered into an interest rate swap agreement to fix the term loan rate at 4.55% plus a 20 basis point BA stamping fee, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2009 is $3,509 (2008 - $7,772).	320,534	325,559
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.1% (2008 – 6.1%) per annum, maturing from 2010 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2008 – 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2008 – 8.05%) per annum, maturing in 2018.	1,301	1,399
Sinking fund deposits bearing interest at rates between 4% and 6% (2008 – 4% to 6%) per annum.	(1,031,576)	(781,201)
Sinking fund deposits – TDSB, bearing interest at 5% (2008 – 5%) per annum.	(38,009)	(34,072)
	2,798,585	**2,741,227**

Principal repayments are due as follows:

	$
2010	428,324
2011	348,542
2012	328,528
2013	303,501
2014	288,606
Thereafter	1,101,084
	2,798,585

Included in net long-term debt are outstanding debentures of $3,058,000 (2008 - $2,658,000) for which there are sinking fund assets with a carrying value of $1,077,288 (2008 - $824,178) and a market value of $1,133,021 (2008 - $880,033). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $123,592 (2008 - $101,260) and a market value of $131,511 (2008 - $107,526).

The City's net long-term debt are to be recovered from the following sources:

	2009	2008
	$	$
Property taxes	2,440,214	2,373,896
TCHC	320,534	325,559
TDSB (Note 18)	37,837	41,772
	2,798,585	**2,741,227**

15. Employee Benefit Liabilities

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies, Boards and Commissions as at December 31, 2009 with results extrapolated to December 31, 2010, 2011 and 2012. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2009	2008
Discount rate for accrued benefit obligation:		
Post-employment	4.4%	4.65%
Post-retirement	5.3%	5.0%
Sick leave	4.4%	5.0%
WSIB	4.4%	5.0%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.64% to 10.1%	4.5% to 10.1%
Health care inflation – Dental care	4.0% to 10.1%	7.0% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.8% to 10.1%

	2009	2008
Discount rate for benefit costs:		
Post-employment	4.65%	4.65%
Post-retirement	5.0%	5.0%
Sick leave	5.0%	5.0%
WSIB	5.0%	5.0%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.75%
Health care inflation – LTD, hospital and other medical	4.5% to 10.1%	4.5% to 10.1%
Health care inflation – Dental care	7.0% to 10.1%	7.0% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.8% to 10.1%

The health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to 4% by 2020. The health care inflation rate for dental care is assumed to reduce to 3% by 2015.

The City provides certain benefits, including post-retirement and post-employment benefits, to most of its employees. Employee benefit liabilities as at December 31 are as follows:

	2009	2008
	$	$
Future payments required for:		
Pension liabilities, other than OMERS	109,685	149,929
Sick leave benefits	429,000	467,579
WSIB obligations	357,725	333,246
Other employment and post-employment benefits	1,565,054	1,878,470
Total employee accrued benefit obligation	2,461,464	2,829,224
Unamortized actuarial gain (loss)	207,549	(240,007)
Employee benefit liabilities	**2,669,013**	**2,589,217**

The continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2009	2008
	$	$
Balance – beginning of year	2,589,217	2,401,310
Current service costs	128,389	251,682
Interest cost	141,647	130,236
Amortization of actuarial loss	11,423	20,757
Benefits paid	(164,509)	(167,963)
Plan amendments	(37,154)	(47,005)
Balance – end of year	**2,669,013**	**2,589,217**

The total expenses related to these employee benefits include the following components:

	2009	2008
	$	$
Current service costs	128,389	251,882
Interest cost	141,647	130,236
Amortization of actuarial loss	11,423	20,757
Total expenditures	**281,459**	**402,875**

Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

As of December 31, 2009, the balance in the sick leave reserve fund is $43,754 (2008 - $47,823) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $27,621 (2008 - $27,841).

A new short-term disability plan for all management and non-union employees (approximately 4,000) was approved in 2007 and became effective March 1, 2008. Existing employees in this group, who have a vested payout entitlement (10 or more years of service), will have their sick days and service frozen as of March 1, 2008 and will be entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and will not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, on July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. All employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP during 2009 and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund is established to help reduce the future impact of these obligations. As at December 31, 2009, the balance in the Workers' Compensation Reserve Fund is $22,685 (2008 - $14,859) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to $41,614 (2008 - $43,388).

Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An employee benefits reserve fund is established to help reduce the future impact of these obligations. As at December 31, 2009, the balance in the employee benefits reserve fund is $152,582 (2008 - $159,650) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $36,343 (2008 - $48,719).

OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Employer contributions for current service amounted to $114,649 (2008 - $116,070) and are matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2009 was $605 (2008 - $664). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of operations and accumulated surplus.

TTC Pension Plan

The TTC participates in a multi-employer pension plan on behalf of most of its employees. The plan is a defined benefit/defined contribution hybrid pension plan that provides pensions to members based on the length of service and average base year (pensionable) earnings. The TTC's pension plan is operated by a separate legal entity, the TTC Pension Fund Society (the "Society"). The Society also administers the defined benefit supplemental plans designed to pay employees the differences between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). Employer contributions to these plans during 2009 amounted to $76,398 (2008 - $69,043).

City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2009, there were 17 (2008 – 21) active members with an average age of 64. There were also 4,962 (2008 - 5,247) pensioners and 2,840 (2008 - 2,845) spousal beneficiaries in receipt of a pension, with an average age of 77. Pension payments and refunds during the year were approximately $185,859 (2008 - $192,086).

Employees contribute a portion (varying amounts ranging from 5% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions ceased upon completion of 35 years of service.

While the City and employees are required to contribute equal amounts into the pension plans, the City retains the risk of the accrued benefit obligation.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2009. The accrued benefit obligation as at December 31, 2009 is based on actuarial valuations for accounting purposes as at December 31, 2009. The actuarial gains or losses in each of the five plans are accounted for in 2009.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.4% per annum (2008 – 2.25%) and the rate of compensation increase is estimated at 3.56% to 4.5% per annum (2008 – 3.75% to 4.5%) for determining the accrued benefit obligation. The discount rates used to determine the accrued benefit obligations are 4.75% to 6.5% (2008 – 6.8%) and the benefit cost is 6.5% to 7% (2008 – 5.5%) per annum.

Pension plan assets are valued at market values. The expected rate of return on plan assets is 6.0% to 6.5% (2008 – 6.6%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 13.9% (2008 – loss of 13.3%). The pension plans hold the following mix of assets: cash 0 to 5%, Canadian equities 20 to 30%, fixed income 45 to 50%, and other U.S. and foreign equities 20 to 30%.

As at December 31, 2009, two plans, the Toronto Civic Employees Pension Plan and Metropolitan Toronto Pension Plan are in a surplus position (2008 – one plan). Since there is uncertainty about the City's right to these accrued benefit assets, these amounts have not been reflected in the consolidated statement of financial position.

The other three plans (2008 – four plans), Metropolitan Toronto Pension Plan (2008 only), Metropolitan Toronto Police Pension Plan, City of York Employee Pension Plan and Toronto Firefighters Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	2009 Pension assets – market value – end of year	2009 Actuarial pension obligation – end of year	2009 Net actuarial surplus (deficit)	2008 Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	376,949	340,949	36,000	50,659
Metropolitan Toronto Pension Plan	569,772	562,851	6,921	(21,936)
Metropolitan Toronto Police Pension Plan	551,312	608,304	(56,992)	(87,336)
City of York Employee Pension Plan	50,543	56,662	(6,119)	(9,368)
Toronto Firefighters Pension Plan	275,464	322,038	(46,574)	(31,289)
Total of plans in deficit			**(109,685)**	**(149,929)**

Total (revenues) expenses in the consolidated statement of operations and accumulated surplus include the following components related to the three plans (2008 – four plans) in the deficit position.

	2009	2008
	$	$
Amortization of actuarial (gains) losses	(18,441)	113,420
Interest cost on the average accrued benefit obligation	63,038	95,630
Expected return on average pension plan assets	(53,916)	(112,738)
Net (revenue) loss related to pension plans	**(9,319)**	**96,312**

16. Tangible capital assets

Tangible capital assets consist of the following:

	2009			2008
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,507,105	-	3,507,105	3,474,553
Land Improvements	589,364	279,692	309,672	312,945
Buildings and building improvements	5,264,908	1,804,166	3,460,742	3,016,720
Machinery and equipment	1,346,966	708,523	638,443	628,005
Motor vehicles	1,840,514	967,928	872,586	882,885
Total General	**12,548,857**	**3,760,309**	**8,788,548**	**8,315,108**
Infrastructure				
Land	133,302	-	133,302	133,302
Buildings and building improvements	365,650	116,230	249,420	250,796
Machinery and equipment	1,359,409	767,577	591,832	574,758
Water and wastewater linear	4,851,337	1,779,043	3,072,294	3,007,075
Roads linear	3,639,177	1,708,621	1,930,556	1,903,299
Transit	4,979,031	2,905,149	2,073,882	2,308,439
Total Infrastructure	**15,327,906**	**7,276,620**	**8,051,286**	**8,177,669**
Assets under construction	**1,549,073**	-	**1,549,073**	**1,147,166**
Total	**29,425,836**	**11,036,929**	**18,388,907**	**17,639,943**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements included outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

Additional information on the City's tangible capital assets is provided in Schedule 1.

General machinery and equipment includes capital leases totaling $16,001 (2008 - $17,281).

17. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 11) on the consolidated statement of financial position in the aggregate amount of $281,115 (2008 - $236,471).

c) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $755,500. At December 31, 2009, 694 hybrid and 180 diesel buses had been delivered at a cost of $593,200 and the outstanding commitment is $162,300.

d) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets at a total purchase price of $682,300. As at December 31, 2009, the TTC had incurred costs of $375,200, which are included in assets under construction. The first train set is scheduled for delivery in August 2010. At December 31, 2009, the outstanding commitment is $307,100.

e) In October 2008, a contract was awarded by the TTC for the purchase of 110 Wheel-Trans low-floor para-transit buses at a total cost of $38,800. At December 31, 2009, 30 buses had been delivered at a cost of $7,200 and the outstanding commitment is $31,600.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total cost of $961,700. As at December 31, 2009, the TTC had incurred costs of $35,800, which are included in assets under construction. The first delivery of the LRVs is scheduled for 2011 and all 204 cars are to be delivered by 2018. At December 31, 2009, the outstanding commitment is $925,900.

g) At December 31, 2009, the TTC has other various capital project contractual commitments of $274,800 (2008 - $164,000). Of this amount, contractual commitments of $105,900 relate to the Toronto York Spadina Subway Extension project.

h) A class action lawsuit claiming $100,000 in damages was issued on March 24, 2010 against the City, the Province and the TTC. The lawsuit alleges that merchants and landlords along St.Clair Avenue West suffered business losses due to the St. Clair streetcar project. At this time, the action has not been certified and it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.

i) The TTC has a long-term provision for environmental costs of $6,485 (2008 - $6,540) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provision for environmental costs are recorded in other liabilities (Note 11) on the consolidated statement of financial position.

j) Toronto Port Lands Company owns and controls lands in the Port Area with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and the final approved use of sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The environmental liability costs of $47,625 (2008 - $47,791) are recorded in other liabilities (Note 11) on the consolidated statement of financial position.

k) The Ministry of the Environment has issued Certificates of Approval for 27 (2008 – 25) of the identified 161 (2008 – 161) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 12).

l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of $125,000 and the Operating Loan and Line of Credit Policy is limited to an aggregate of $10,000 that can be issued by the City for these organizations. At December 31, 2009 the City has provided capital loan guarantees to certain third parties amounting to $96,235 (2008 - $86,985), and operating loan and line of credit guarantees of $4,800 (2008 - $5,800), primarily related to possible defaults in financial agreements for certain construction projects and for several cultural non-profit organizations. These are closely monitored and, to date, there have been no losses on loan guarantees.

m) At December 31, 2009, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2010	43,520
2011	34,217
2012	28,379
2013	19,581
2014	10,265
Thereafter	44,446
	180,408

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2009	2008 (restated Note 2)
	$	$
Invested in tangible capital assets (Note 16)	18,388,907	17,639,943
Operating fund	2,344,418	2,329,974
Capital fund	(872,689)	(588,736)
Reserves and reserve funds	1,460,612	1,332,849
	21,321,248	20,714,030
Amounts to be recovered:		
Mortgages (Note 13)	(840,627)	(869,402)
Net long-term debt (Note 14)	(2,798,585)	(2,741,227)
Recoverable from TDSB (Note 14)	37,837	41,772
Landfill closure and post-closure liabilities (Note 12)	(123,343)	(139,341)
Employee benefits (Note 15)	(2,669,013)	(2,589,217)
Other	(161,906)	(148,207)
	(6,555,637)	(6,445,622)
	14,765,611	14,268,408

Reserves and reserve funds consist of the following:

	2009	2008
Reserves:	$	$
Corporate	344,869	364,467
Stabilization	68,953	76,387
Water and Wastewater	74,364	51,870
Donations	1,800	2,844
Community Initiatives	23	23
	490,009	495,591
Reserve Funds:		
Employee Benefits (Note 15)	219,021	222,332
Corporate	510,333	296,622
Community Initiatives	103,825	130,780
State of Good Repair (Note 12)	137,424	187,524
	970,603	837,258

19. Subsequent Events

On April 1, 2010, the Toronto Hydro Corporation note receivable of $490,115 was sold to a third party for cash consideration of $528,000, resulting in a gain on sale of $37,885. The funds were placed in the Strategic Infrastructure Partnership Reserve Fund. On March 23, 2010, the Sinking Fund Committee approved the deposit of $600,000 from the Strategic Infrastructure Partnership Reserve Fund into the City Sinking Fund to prepay certain sinking fund debentures, to take effect upon completion of the Toronto Hydro note transaction.

On March 25, 2010, the Province presented Ontario's 2010 budget. The provincial budget included a measure that replaced the Ontario Bus Replacement Program, and a decision to fully fund future years' contributions under the program. This will result in receipt of $44,260, the amount owing for commitments for 2008 and 2009 bus purchases.

On February 22, 2010, TCHC Issuer Trust entered into an agency agreement with various agents to issue $200,000 5.395% Debentures Series B due February 22, 2040. TCHC will use the funds for long-term financing of social housing projects and related programs, including replacement and new affordable housing projects for Regent Park, Railway Lands and West Don Lands, building energy retrofit programs, other capital expenditures, and general purposes.

20. Budget Data – unaudited

Budget data presented in these consolidated financial statements are based upon the 2009 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount
Revenue	**$**
Approved budgets:	
Operating	8,917,832
Capital	2,126,415
Reserve	74,123
	11,118,370
Adjustments:	
Proceeds on disposal of assets	(48,494)
Proceeds on debt issue	(626,385)
Total revenue	**10,443,491**
Expenses	
Approved budgets:	
Operating	8,826,831
Capital	2,602,756
	11,429,587
Adjustments:	
Reduction due to Tangible Capital Assets (TCA)	(1,929,649)
Amortization	1,071,700
Debt principal repayments	(326,888)
Total expenses	**10,244,750**
Annual surplus	**198,741**

21. Expenses by Object

Expenses by object comprise the following:

	2009	2008 (restated Note 2)
	$	$
Salaries, wages and benefits (Note 15)	4,485,325	4,442,881
Materials	939,768	1,181,882
Contracted services	1,356,914	1,355,457
Interest on long-term debt	229,503	232,116
Transfer payments	1,638,412	1,295,514
Amortization (Schedule 1)	1,071,896	797,281
Other	195,470	134,413
	9,917,288	9,439,544

22. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

23. Trust Funds

Trust funds administered by the City amounting to $48,661 (2008 - $45,422) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus. Trust fund balances as at December 31 are as follows:

	2009	2008
	$	$
Toronto Atmospheric Trust Fund	21,059	18,463
Keele Valley Site Post-Closure Trust Fund (Note 12)	7,409	7,395
Homes for the Aged Trust Fund – Residents	7,301	7,514
Development Charges Trust Fund – Railway Lands	7,122	6,269
Community Services Levies Trust Fund	1,159	1,154
Contract Aftercare Trust Fund	1,052	1,047
Waterpark Place Trust Fund	1,034	1,027
90 Lisgar Street Trust Fund	595	591
Development Charges Trust Fund – Queen's Quay	518	516
Heritage and Culture Trust Funds	386	432
Lakeshore Pedestrian Bridge Trust Fund	238	236
Police Trust Funds	137	175
Candidates' Municipal Election Surpluses Trust Fund	129	128
Children's Greenhouse Trust Fund – Allan Gardens	109	108
Green Lane Small Claims Trust Fund	104	103
Other trust funds	309	264
	48,661	45,422

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been reclassified from statements previously presented to reflect the restatement of items described in Note 2, as well as to conform to the presentation of the 2009 consolidated financial statements.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2009
(all dollar amounts in thousands of dollars)

2009

	Cost 2009				Accumulated Amortization 2009				Net Book Value 2009
	Beginning	Additions	Disposals/ Transfers	Ending	Beginning	Amortization	Disposals	Ending	
General									
Land	3,474,553	55,511	(22,959)	3,507,105	-	-	-	-	3,507,105
Land Improvements	578,719	10,869	(224)	589,364	265,774	14,555	(637)	279,692	309,672
Buildings and building improvements	4,620,717	648,097	(3,906)	5,264,908	1,603,997	201,336	(1,167)	1,804,166	3,460,742
Machinery and equipment	1,242,089	127,378	(22,501)	1,346,966	614,084	116,909	(22,470)	708,523	638,443
Vehicles	1,715,159	191,767	(66,412)	1,840,514	832,274	200,889	(65,235)	967,928	872,586
Total General	**11,631,237**	**1,033,622**	**(116,002)**	**12,548,857**	**3,316,129**	**533,689**	**(89,509)**	**3,760,309**	**8,788,548**
Infrastructure									
Land	133,302	-	-	133,302	-	-	-	-	133,302
Buildings and building improvements	362,380	3,270	-	365,650	111,584	4,646	-	116,230	249,420
Machinery and equipment	1,307,762	52,336	(689)	1,359,409	733,004	35,025	(452)	767,577	591,832
Water and wastewater linear	4,731,541	121,492	(1,696)	4,851,337	1,724,466	56,038	(1,461)	1,779,043	3,072,294
Roads linear	3,546,026	114,635	(21,484)	3,639,177	1,642,727	81,246	(15,352)	1,708,621	1,930,556
Transit	4,852,336	126,695		4,979,031	2,543,897	361,252		2,905,149	2,073,882
Total infrastructure	**14,933,347**	**418,428**	**(23,869)**	**15,327,906**	**6,755,678**	**538,207**	**(17,265)**	**7,276,620**	**8,051,286**
Assets under construction	**1,147,166**	**401,995**	**(88)**	**1,549,073**	-	-	-	-	**1,549,073**
TOTAL	**27,711,750**	**1,854,045**	**(139,959)**	**29,425,836**	**10,071,807**	**1,071,896**	**(106,774)**	**11,036,929**	**18,388,907**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1 (CONTINUED)

As at and for the year ended December 31, 2009
(all dollar amounts in thousands of dollars)

2008

	Cost 2008					Accumulated Amortization 2008				Net Book Value 2008
	Beginning	Additions	Disposals/ Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,397,657	82,430	(5,534)	-	3,474,553	-	-	-	-	3,474,553
Land Improvements	563,470	15,860	(611)	-	578,719	251,772	14,460	(458)	265,774	312,945
Buildings and building improvements	4,285,432	335,575	(290)	-	4,620,717	1,447,554	156,609	(166)	1,603,997	3,016,720
Machinery and equipment	1,135,840	125,394	(19,145)	-	1,242,089	543,480	89,660	(19,056)	614,084	628,005
Vehicles	1,427,119	340,489	(52,449)	-	1,715,159	740,160	142,730	(50,616)	832,274	882,885
Total General	**10,809,518**	**899,748**	**(78,029)**	-	**11,631,237**	**2,982,966**	**403,459**	**(70,296)**	**3,316,129**	**8,315,108**
Infrastructure										
Land	133,302	-	-	-	133,302	-		-	-	133,302
Buildings and building improvements	360,901	1,479	-	-	362,380	106,895	4,689	-	111,584	250,796
Machinery and equipment	1,242,910	72,308	(7,456)	-	1,307,762	707,617	32,588	(7,201)	733,004	574,758
Water and wastewater linear	4,638,161	95,369	(1,989)	-	4,731,541	1,672,313	53,455	(1,302)	1,724,466	3,007,075
Roads linear	3,504,686	53,251	(11,911)	-	3,546,026	1,571,404	80,390	(9,067)	1,642,727	1,903,299
Transit	4,716,889	135,447	-	-	4,852,336	2,321,197	222,700	-	2,543,897	2,308,439
Total infrastructure	**14,596,849**	**357,854**	**(21,356)**	-	**14,933,347**	**6,379,426**	**393,822**	**(17,570)**	**6,755,678**	**8,177,669**
Assets under construction	**853,992**	**293,694**	**(520)**	-	**1,147,166**	-	-	-	-	**1,147,166**
TOTAL	**26,260,359**	**1,551,296**	**(99,905)**	-	**27,711,750**	**9,362,392**	**797,281**	**(87,866)**	**10,071,807**	**17,639,943**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2009
all dollar amounts in thousands of dollars)

Condensed Financial Results ($)	Toronto Hydro Corporation		Toronto Parking Authority		TEDCO		Enwave		Total	
Fiscal Year Ended	December 31		December 31		Dec. 31	Period ended Nov. 13	October 31			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Financial Position										
Assets										
Current	683,299	769,684	21,374	56,043			30,637	22,576	735,310	848,303
Capital	1,919,954	1,853,606	131,544	129,635			290,449	285,049	2,341,947	2,268,290
Other	455,974	156,493	70,024	40,478			22,335	21,074	548,333	218,045
	3,059,227	**2,779,783**	**222,942**	**226,156**			**343,421**	**328,699**	**3,625,590**	**3,334,638**
Liabilities										
Current	336,739	561,414	49,688	57,143			21,784	23,577	408,211	642,134
Long-term	1,724,234	1,237,078	4,000	6,008			103,194	95,495	1,831,428	1,338,581
	2,060,973	**1,798,492**	**53,688**	**63,151**			**124,978**	**119,072**	**2,239,639**	**1,980,715**
Net equity	**998,254**	**981,291**	**169,254**	**163,005**			**218,443**	**209,627**	**1,385,951**	**1,353,923**
City's share (Note 7)	**963,672**	**940,355**	**169,254**	**163,005**			**57,857**	**53,469**	**1,190,783**	**1,156,829**
Results of Operations										
Revenues	2,464,878	2,517,611	125,122	138,596		8,005	89,319	79,206	2,679,319	2,743,418
Expenses	2,422,745	2,348,599	62,985	63,983		5,343	80,503	72,885	2,566,233	2,490,810
PSAB adjustments – TEDCO						(14,959)				(14,959)
Net income (loss)	**42,133**	**169,012**	**62,137**	**74,613**		**(12,297)**	**8,816**	**6,321**	**113,086**	**237,649**
City's share (Note 7)	**42,133**	**169,012**	**62,137**	**74,613**		**(12,297)**	**3,791**	**2,719**	**108,061**	**234,047**
Distribution to City (Note 7)			55,888	72,702					55,888	72,702
Dividends paid to City (Note 7)	25,170	116,416							25,170	116,416
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 7)	34,582	40,937							34,582	40,937
Net book value of assets transferred from Enwave to the City (Note 2)							36,109	36,705	36,109	36,705

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2009 – APPENDIX 2

for the year ended December 31, 2009

all dollar amounts in thousands of dollars)

	2009									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,756,059	-	-	-	-	-	-	-	-	**3,756,059**
User charges	49,645	129,525	953,385	948,658	3,187	65,808	16,210	130,153	12,593	**2,309,164**
Government transfers	501,709	23,948	241,376	40,709	243,284	1,325,435	488,965	20,108	16,334	**2,901,868**
Net GBE income	108,657	-	-	-	-	-	-	-	-	**108,657**
Other	210,060	31,870	457,546	197,677	4,857	8,118	268,275	125,897	34,443	**1,338,743**
TOTAL REVENUES	**4,626,130**	**185,343**	**1,652,307**	**1,187,044**	**251,328**	**1,399,361**	**773,450**	**276,158**	**63,370**	**10,414,491**
Salaries, wages and benefits	306,801	1,326,458	1,213,456	249,188	296,319	491,958	110,299	446,731	44,115	**4,485,325**
Materials	154,489	61,799	431,526	107,347	23,117	38,990	30,601	70,675	21,224	**939,768**
Contracted services	163,018	24,692	241,491	298,347	33,748	257,893	195,435	118,889	23,401	**1,356,914**
Interest on long-term debt	13,372	11,066	101,027	12,093	834	4,810	63,463	21,298	1,540	**229,503**
Transfer payments	39,777	47,616	(54,856)	79,624	14,048	1,140,657	312,914	39,948	18,684	**1,638,412**
Other	60,747	16,038	7,596	23,239	3,108	12,136	28,355	27,870	16,381	**195,470**
Amortization	65,300	37,566	717,844	103,837	5,289	-	96,719	43,698	1,643	**1,071,896**
TOTAL EXPENSES	**803,504**	**1,525,235**	**2,658,084**	**873,675**	**376,463**	**1,946,444**	**837,786**	**769,109**	**126,988**	**9,917,288**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,822,626**	**(1,339,892)**	**(1,005,777)**	**313,369**	**(125,135)**	**(547,083)**	**(64,336)**	**(492,951)**	**(63,618)**	**497,203**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE - 2008 – APPENDIX 2 (CONTINUED)

for the year ended December 31, 2009
all dollar amounts in thousands of dollars)

	2008									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,550,684	-	-	-	-	-	-	-	-	**3,550,684**
User charges	47,036	134,235	942,991	753,938	2,809	62,402	15,047	132,014	17,951	**2,108,423**
Government transfers	350,104	23,458	489,400	10,113	241,476	1,236,621	346,676	17,208	16,118	**2,731,174**
Net GBE income	233,926	-	-	-	-	-	-	-	-	**233,926**
Other	27,742	37,986	454,242	95,528	4,711	20,461	329,253	118,272	25,438	**1,113,633**
TOTAL REVENUES	**4,209,492**	**195,679**	**1,886,633**	**859,579**	**248,996**	**1,319,484**	**690,976**	**267,494**	**59,507**	**9,737,840**
Salaries, wages and benefits	353,449	1,312,755	1,126,223	242,740	299,664	485,726	98,885	481,311	42,127	**4,442,880**
Materials	277,617	27,021	459,613	216,565	18,678	44,592	14,896	101,722	21,178	**1,181,882**
Contracted services	139,576	24,849	388,049	225,878	33,200	253,731	172,588	88,855	28,731	**1,355,457**
Interest on long-term debt	13,358	10,359	103,025	9,356	844	3,672	71,129	19,057	1,316	**232,116**
Transfer payments	(100,196)	44,627	47,796	38,898	16,028	1,003,586	178,477	16,379	49,919	**1,295,514**
Other	47,997	13,563	(14,785)	22,010	2,607	11,828	27,345	23,553	295	**134,413**
Amortization	62,527	33,098	468,322	99,658	4,883	-	87,702	40,003	1,089	**797,282**
TOTAL EXPENSES	**794,328**	**1,466,272**	**2,578,243**	**855,105**	**375,904**	**1,803,135**	**651,022**	**770,880**	**144,655**	**9,439,544**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,415,164**	**(1,270,593)**	**(691,610)**	**4,474**	**(126,908)**	**(483,651)**	**39,954**	**(503,386)**	**(85,148)**	**298,296**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2009
all dollar amounts in thousands of dollars)

	2009						
	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,756,059	-	-	-	-	-	**3,756,059**
User charges	1,366,391	5,904	839,327	2,094	16,210	79,238	**2,309,164**
Government transfers	2,692,744	22,447	6,313	8,180	147,520	24,664	**2,901,868**
Net GBE income	108,657	-	-	-	-	-	**108,657**
Other	936,758	22,899	54,832	3,502	266,678	54,074	**1,338,743**
TOTAL REVENUES	**8,860,609**	**51,250**	**900,472**	**13,776**	**430,408**	**157,976**	**10,414,491**
Salaries, wages and benefits	2,210,003	868,152	1,073,580	143,228	110,299	80,063	**4,485,325**
Materials	519,273	12,699	339,404	3,301	30,601	34,490	**939,768**
Contracted services	1,061,950	8,731	27,864	18,939	195,435	43,995	**1,356,914**
Interest on long-term debt **	155,002	7,446	-	2,170	64,885	-	**229,503**
Transfer payments	1,512,933	8,691	3,131	-	107,826	5,831	**1,638,412**
Other	150,916	5,019	-	3,128	28,355	8,052	**195,470**
Amortization	277,862	33,061	632,786	25,962	98,178	4,047	**1,071,896**
TOTAL EXPENSES	**5,887,939**	**943,799**	**2,076,765**	**196,728**	**635,579**	**176,478**	**9,917,288**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,972,670**	**(892,549)**	**(1,176,293)**	**(182,952)**	**(205,171)**	**(18,502)**	**497,203**

**As at December 31, the City has issued $1,595,168 in debentures for capital expenditures made on behalf of the TTC (2008: $1,496,274). Included in interest on long-term debt is $79,869 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – 2008 – APPENDIX 3 (CONTINUED)

for the year ended December 31, 2009
all dollar amounts in thousands of dollars)

	2008						
	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,550,684	-	-	-	-	-	**3,550,684**
User charges	1,173,186	6,293	840,888	3,832	15,047	69,177	**2,108,423**
Government transfers	2,457,924	29,268	213,845	5,976	-	24,161	**2,731,174**
Net GBE income	233,926	-	-	-	-	-	**233,926**
Other	624,109	24,989	74,874	3,758	319,372	66,531	**1,113,633**
TOTAL REVENUES	**8,039,829**	**60,550**	**1,129,607**	**13,566**	**334,419**	**159,869**	**9,737,840**
Salaries, wages and benefits	2,336,431	834,965	948,306	137,070	98,885	87,224	**4,442,881**
Materials	692,531	7,705	353,389	4,383	14,897	108,977	**1,181,882**
Contracted services	1,002,816	13,853	132,203	15,211	172,588	18,786	**1,355,457**
Interest on long-term debt **	152,462	6,527	-	1,998	71,129	-	**232,116**
Transfer payments	1,134,260	8,000	49,177	-	112,324	(8,247)	**1,295,514**
Other	94,389	3,155	-	981	27,344	8,544	**134,413**
Amortization	268,561	28,649	384,523	24,316	87,702	3,530	**797,281**
TOTAL EXPENSES	**5,681,450**	**902,854**	**1,867,598**	**183,959**	**584,869**	**218,814**	**9,439,544**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,358,379**	**(842,304)**	**(737,991)**	**(170,393)**	**(250,450)**	**(58,945)**	**298,296**

**As at December 31, the City has issued $1,496,274 in debentures for capital expenditures made on behalf of the TTC (2007: $1,406,688). Included in interest on long-term debt is $77,717 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2009
(all dollar amounts in thousands of dollars)

2009 and 2008

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	TEDCO	Toronto Public Library	Other Agencies, Boards and Commissions	TOTAL
2009							
General							
Cost	6,253,177	2,955,776	2,843,788	57,999	321,389	116,728	12,548,857
Accumulated amortization	1,456,912	1,407,904	715,197	10,093	139,186	31,017	3,760,309
Net Book Value	**4,796,265**	**1,547,872**	**2,128,591**	**47,906**	**182,203**	**85,711**	**8,788,548**
Infrastructure							
Cost	10,348,874	4,979,032	-	-	-	-	15,327,906
Accumulated amortization	4,371,470	2,905,150	-	-	-	-	7,276,620
Net Book Value	**5,977,404**	**2,073,882**	**-**	**-**	**-**	**-**	**8,051,286**
Assets under construction	**410,712**	**883,798**	**112,187**	**117,833**	**23,978**	**565**	**1,549,073**
Total	**11,184,381**	**4,505,552**	**2,240,778**	**165,739**	**206,181**	**86,276**	**18,388,907**
2008							
General							
Cost	6,009,378	2,690,413	2,483,136	60,224	295,321	92,765	11,631,237
Accumulated amortization	1,357,399	1,173,202	618,989	8,973	130,660	26,906	3,316,129
Net Book Value	**4,651,979**	**1,517,211**	**1,864,147**	**51,251**	**164,661**	**65,859**	**8,315,108**
Infrastructure							
Cost	10,081,012	4,852,335	-	-	-	-	14,933,347
Accumulated amortization	4,211,782	2,543,896	-	-	-	-	6,755,678
Net Book Value	**5,869,230**	**2,308,439**	**-**	**-**	**-**	**-**	**8,177,669**
Assets under construction	**352,733**	**542,961**	**175,014**	**47,882**	**27,924**	**652**	**1,147,166**
Total	**10,873,942**	**4,368,611**	**2,039,161**	**99,133**	**192,585**	**66,511**	**17,639,943**

GLOSSARY

ABC: The City's agencies, boards and commissions are referred to as ABCs.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. This is also known as the full accrual basis of accounting. Previously municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's non-financial assets and its net debt. The accumulated surplus is the sum of: assets invested in tangible capital assets, the operating, capital and reserve funds, net of amounts to be recovered.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

A Business Improvement Area (BIA): is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

BOG: the Board of Governors of Exhibition Place

Budget – operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget – capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of all entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remain unspent at year end. These amounts are shown with liabilities and are recognized in revenue when they are spent for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability – Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability – Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains (as in 2008), or larger than the gross liability when gains exceed losses (as in 2009).

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards, standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

LTD: Long Term Disability

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline and occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: The Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidated financial statements for the first time in 2009.

TCHC: The Toronto Community Housing Corporation

TDSB: The Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Portlands Company (TPLC)

TPLC: see TEDCO

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: The Toronto Transit Commission

TWRC: The Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: The Workplace Safety and Insurance Board

Photographer: Steven

09 STATISTICAL INFORMATION CITY OF TORONTO

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2009	2008	2007	2006	2005
Population (Note 1)	2,755,800	2,738,600	2,730,100	2,631,725	2,698,400
Households (Note 1)	1,084,000	1,082,000	1,073,800	1,029,580	1,026,400
Areas in square kilometres	634	634	634	634	634
Full-time employees	45,673	42,627	41,452	40,649	40,477
Housing Starts	11,919	19,710	8,854	12,726	15,602
Building Permit Values	$5,521,393	$5,899,802	$6,988,434	$5,962,598	$3,445,171
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (NOTE 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$276,277,574	$258,854,050	$255,450,742	$252,977,740	$222,340,480
Commercial, Industrial and Pipeline	68,075,621	61,789,182	61,551,518	61,443,667	54,229,676
TOTAL	**$344,353,195**	**$320,643,232**	**$317,002,260**	**$314,421,407**	**$276,570,156**
Total per capita	$124,956	$117,083	$116,114	$119,474	$102,494
TAX RATES (URBAN AREA) – (NOTE 2)					
Residential, New Multi-residential, Farmlands and Managed Forest (expressed in %) **Note – Full Rate Only**					
City purposes	0.6027807%	0.6109226%	0.5888434%	0.5668587%	0.6107432%
School board purposes	0.2520000%	0.2640000%	0.2640000%	0.2640000%	0.2960000%
TOTAL	**0.8547807%**	**0.8749226%**	**0.8528434%**	**0.8308587%**	**0.9067432%**
Multi-residential (expressed in %)					
City purposes	2.0373148%	2.1191990%	2.0881901%	2.0605153%	2.2639951%
School board purposes	0.2520000%	0.2640000%	0.2640000%	0.2640000%	0.2960000%
TOTAL	**2.2893418%**	**2.3831990%**	**2.3521901%**	**2.3245153%**	**2.5599951%**
Commercial (expressed in %)					
City purposes	2.0431761%	2.1514381%	2.1174565%	2.0876138%	2.2932935%
School board purposes	1.8030600%	1.9683050%	1.9758210%	1.9758210%	2.2156590%
TOTAL	**3.8462361%**	**4.1197431%**	**4.0932775%**	**4.0634348%**	**4.5089525%**
Industrial (expressed in %)					
City purposes	2.1484993%	2.2855806%	2.3093771%	2.3197551%	2.5733817%
School board purposes	1.8618110%	2.0507090%	2.0599070%	2.0599070%	2.3136150%
TOTAL	**4.0103103%**	**4.3362896%**	**4.3692841%**	**4.3796621%**	**4.8869967%**
Pipeline (expressed in %)					
City purposes	1.1594874%	1.1751488%	1.1326782%	1.0903891%	1.1748039%
School board purposes	1.7425120%	1.7985840%	1.8026370%	1.8026370%	1.8205630%
TOTAL	**2.9019994%**	**2.9737328%**	**2.9353152%**	**2.8930261%**	**2.9953669%**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2009	2008	2007	2006	2005
TAXES RECEIVABLE, END OF THE YEAR					
Amount	$313,088	$246,074	$220,372	$221,617	$254,946
Per Capita	$114	$90	$81	$84	$94
NET LONG-TERM DEBT – END OF YEAR					
Amount	$2,798,585	$2,741,227	$2,758,180	$2,261,455	$1,965,121
Per Capita	$1,016	$1,001	$1,010	$859	$728
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$217,589	$173,723	$154,413	$135,565	$125,213
Per Capita	$79	$63	$57	$52	$46
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$3,868,170	$3,556,500	$3,468,955	$2,875,756	$2,615,328
Net Long-Term Debt (Net of Sinking Fund deposits)	$2,798,585	$2,741,227	$2,758,180	$2,261,455	$1,965,121
LONG-TERM DEBT AND MORTGAGES CHARGES (includes principal repayments, interest on long-term debt and interest earned on sinking funds)					
Amount	$599,489	$583,407	$531,736	$460,749	$420,299
Per Total Consolidated Expenditures	6.04%	6.18%	5.62%	5.35%	5.28%
DEBT REPAYMENT LIMIT (Note 3) (as determined by the Province of Ontario)	n/a	n/a	n/a	$1,020,307	$951,398
TAXES COLLECTED					
City Collection	$3,660,600	$3,529,681	$3,282,427	$3,222,222	$3,094,979
Taxes Transferred to the School Board	1,882,376	1,870,204	1,851,618	1,837,372	1,828,613
TOTAL	**$5,542,976**	**$5,399,885**	**$5,134,045**	**$5,059,594**	**$4,923,592**
TRUST FUNDS BALANCE – END OF YEAR	$48,661	$45,422	$47,894	$47,358	$48,704

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2009	2008	2007	2006	2005
SUMMARY OF CONSOLIDATED REVENUES AND EXPENDITURES – (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$3,655,880	$3,469,974	$3,186,766	$3,074,783	$2,998,391
Taxation from other government	100,179	80,710	99,181	112,480	83,618
User Charges	2,309,164	2,108,423	1,966,890	1,856,407	1,766,557
Funding transfers from other governments	2,901,868	2,731,174	1,952,047	2,271,929	1,831,399
Net government business enterprises earnings	108,657	233,926	129,815	107,822	102,376
Other	1,338,743	1,113,633	1,525,837	1,135,994	943,337
TOTAL	**$10,414,491**	**$9,737,840**	**$8,860,536**	**$8,559,415**	**$7,725,678**
CONSOLIDATED EXPENDITURES BY FUNCTION					
General Government	$803,504	$794,329	$580,498	$569,225	$583,129
Protection to persons and property	1,525,221	1,466,272	1,500,550	1,322,819	1,253,880
Transportation	2,658,085	2,578,243	2,398,891	2,241,737	1,956,011
Environment Services	873,684	855,105	1,060,052	841,794	781,706
Health Services	376,463	375,904	356,129	336,663	324,191
Social and family services	1,946,444	1,803,134	1,781,475	1,722,911	1,610,249
Social housing	837,786	651,022	803,784	747,494	682,210
Recreation and cultural services	769,110	770,880	849,001	740,744	690,954
Planning and development	126,991	144,655	136,179	93,136	75,421
TOTAL	**$9,917,288**	**$9,439,544**	**$9,466,559**	**$8,616,523**	**$7,957,751**
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS					
Social Assistance	$801,271	$732,840	$708,677	$675,500	$650,208
Child Care Assistance	262,540	262,478	244,411	233,687	203,273
Health Services	117,558	151,526	142,641	125,981	104,954
Social Housing	422,284	446,501	413,225	392,358	365,436
Other	144,607	420,916	253,371	385,387	268,023
Government of Canada Transfer – TTC	609,276	213,845	—	—	—
Government of Canada Transfer – Capital	211,656	182,927	141,128	175,502	164,427
Province of Ontario Transfer – Capital	332,676	298,404	9,972	150,914	75,078
Province of Ontario Transfer – Reserve Funds	—	21,737	38,622	—	—
Province of Ontario Transfer – Best Start Program (one time program in 2006)	—	—	—	132,600	—
TOTAL	**$2,901,868**	**$2,731,174**	**$1,952,047**	**$2,271,929**	**$1,831,399**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2009	2008	2007	2006	2005
CONSOLIDATED EXPENDITURES BY OBJECT (Note 4)					
Salaries, wages and benefits	$4,485,325	4,442,881	4,235,706	3,879,202	3,671,143
Materials	939,768	1,181,882	1,929,987	1,775,108	2,141,032
Contracted Services	1,356,914	1,355,457	1,708,706	1,425,774	1,329,178
Interest on long-term debt & TCHC mortgage	229,503	232,116	213,723	197,900	192,235
Transfer payments	1,638,412	1,295,514	1,190,895	1,182,924	495,724
Amortization	1,071,896	797,281	—	—	—
Other	195,470	134,413	187,542	155,615	128,439
TOTAL	**$9,917,288**	**$9,439,544**	**$9,466,559**	**$8,616,523**	**$7,957,751**
RESERVE & RESERVE FUND BALANCE – End of the year	$1,460,612	$1,332,849	$1,177,460	$1,057,493	$890,897
TANGIBLE CAPITAL ASSETS (Note 4)					
COST:					
General Assets	$12,548,857	11,631,237	10,809,518	—	—
Infrastructure	15,327,906	14,933,347	14,596,849	—	—
Assets under construction	1,549,073	1,147,166	853,992	—	—
TOTAL	**29,425,836**	**27,711,750**	**26,260,359**	**—**	**—**
ACCUMULATED AMORTIZATION:					
General Assets	$3,760,309	$3,316,129	$2,982,966	—	—
Infrastructure	7,276,620	6,755,678	6,379,426	—	—
TOTAL	**11,036,929**	**10,071,807**	**9,362,392**	**—**	**—**
NET BOOK VALUE	**$18,388,907**	**$17,639,943**	**$16,897,967**	**—**	**—**

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division – which uses the data from the last Annual Demographic Estimate of Statistics Canada.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Repayment limit from the Province not applicable due to the new City of Toronto Act (COTA) effective 2007.

Note 4: Effective January 1, 2009, the City has adopted PSAB Section 3150 and 1200. (See Note 2 in the consolidated financial statements). These changes have been applied retroactively and have resulted in restatement of comparative figures effective 2008 onwards and opening inventory of tangible capital assets as of January 1, 2008. (See Schedule 1 in the consolidated financial statements).